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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 July 31, 2011

OR

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

Commission file number 1-6089

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

MISSOURI	**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 July 31, 2011 was 305,766,188 shares.

Form 10-Q for the Period Ended July 31, 2011

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

As of	July 31, 2011	April 30, 2011
	(Unaudited)	
ASSETS		
Cash and cash equivalents	$ 1,012,709	$ 1,677,844
Cash and cash equivalents – restricted	44,402	48,383
Receivables, less allowance for doubtful accounts of $67,582 and $67,466	329,388	492,290
Prepaid expenses and other current assets	281,326	259,214
Total current assets	1,667,825	2,477,731
Mortgage loans held for investment, less allowance for loan losses of $91,303 and $92,087	466,663	485,008
Property and equipment, at cost, less accumulated depreciation and amortization of $694,321 and $677,220	295,220	307,320
Intangible assets, net	360,035	367,919
Goodwill	742,611	846,245
Other assets	775,698	723,738
Total assets	$ 4,308,052	$ 5,207,961
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Customer banking deposits	$ 666,268	$ 852,220
Accounts payable, accrued expenses and other current liabilities	522,130	618,070
Accrued salaries, wages and payroll taxes	83,257	257,038
Accrued income taxes	275,639	458,910
Current portion of long-term debt	30,940	3,437
Federal Home Loan Bank borrowings	25,000	25,000
Total current liabilities	1,603,234	2,214,675
Long-term debt	1,019,431	1,049,754
Other noncurrent liabilities	451,510	493,958
Total liabilities	3,074,175	3,758,387
Commitments and contingencies		
Stockholders' equity:		
Common stock, no par, stated value $.01 per share, 800,000,000 shares authorized, shares issued of 412,440,599	4,124	4,124
Additional paid-in capital	808,668	812,666
Accumulated other comprehensive income	12,692	11,233
Retained earnings	2,437,011	2,658,103
Less treasury shares, at cost	(2,028,618)	(2,036,552)
Total stockholders' equity	1,233,877	1,449,574
Total liabilities and stockholders' equity	$ 4,308,052	$ 5,207,961

See Notes to Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

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

Three Months Ended July 31,	2011	2010
Revenues:		
Service revenues	$ 240,563	$ 247,419
Product and other revenues	16,638	16,753
Interest income	10,433	10,302
	267,634	274,474
Expenses:		
Cost of revenues:		
Compensation and benefits	160,255	168,047
Occupancy and equipment	94,045	94,702
Depreciation and amortization of property and equipment	21,048	23,065
Provision for bad debt and loan losses	8,823	10,049
Interest	23,301	22,962
Other	49,528	49,191
	357,000	368,016
Impairment of goodwill	99,697	–
Selling, general and administrative expenses	108,166	117,029
	564,863	485,045
Operating loss	(297,229)	(210,571)
Other income, net	4,087	3,254
Loss from continuing operations before tax benefit	(293,142)	(207,317)
Income tax benefit	(119,699)	(79,679)
Net loss from continuing operations	(173,443)	(127,638)
Net loss from discontinued operations	(1,655)	(3,043)
Net loss	$ (175,098)	$ (130,681)
Basic and diluted loss per share:		
Net loss from continuing operations	$ (0.57)	$ (0.40)
Net loss from discontinued operations	–	(0.01)
Net loss	$ (0.57)	$ (0.41)
Basic and diluted shares	305,491	319,690
Dividends paid per share	$ 0.15	$ 0.15
Comprehensive income (loss):		
Net loss	$ (175,098)	$ (130,681)
Change in unrealized gain on available-for-sale securities, net	975	(306)
Change in foreign currency translation adjustments	484	(4,020)
Comprehensive loss	$ (173,639)	$ (135,007)

See Notes to Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited, amounts in 000s)

Three Months Ended July 31,	2011	2010
Net cash used in operating activities	$ (394,549)	$ (348,251)
Cash flows from investing activities:		
Purchases of available-for-sale securities	(39,275)	–
Principal repayments on mortgage loans held for investment, net	11,192	17,618
Purchases of property and equipment, net	(10,953)	(8,634)
Payments made for business acquisitions, net	(3,457)	(33,226)
Proceeds from sale of businesses, net	21,230	26,387
Franchise loans:		
Loans funded	(16,477)	(33,720)
Payments received	5,320	6,724
Other, net	18,167	18,848
Net cash used in investing activities	(14,253)	(6,003)
Cash flows from financing activities:		
Customer banking deposits, net	(186,245)	(121,401)
Dividends paid	(45,894)	(48,692)
Repurchase of common stock, including shares surrendered	(2,002)	(164,369)
Proceeds from exercise of stock options	1,762	1,500
Other, net	(24,916)	(15,987)
Net cash used in financing activities	(257,295)	(348,949)
Effects of exchange rates on cash	962	(2,232)
Net decrease in cash and cash equivalents	(665,135)	(705,435)
Cash and cash equivalents at beginning of the period	1,677,844	1,804,045
Cash and cash equivalents at end of the period	$ 1,012,709	$ 1,098,610
Supplementary cash flow data:		
Income taxes paid	$ 99,357	$ 64,651
Interest paid on borrowings	37,634	27,265
Interest paid on deposits	1,820	1,915
Transfers of foreclosed loans to other assets	1,573	6,527

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 July 31, 2011, the condensed consolidated statements of operations and comprehensive income (loss) for the three months ended July 31, 2011 and 2010, and the condensed consolidated statements of cash flows for the three months ended July 31, 2011 and 2010 have been prepared by the Company, without audit. In the opinion of management, all adjustments, which include only normal recurring adjustments, necessary to present fairly the financial position, results of operations and cash flows at July 31, 2011 and for all periods presented have been made.

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

Certain 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, 2011 Annual Report to Shareholders on Form 10-K. All amounts presented herein as of April 30, 2011 or for the year then ended, are derived from our April 30, 2011 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, valuation allowances based on future taxable income, reserves for uncertain tax positions, credit losses on receivable balances and related matters. Estimates have been prepared on the basis of the most current and best information available as of each balance sheet date. 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.

2. Subsequent Event

In August 2011, our Board of Directors approved a non-binding letter of intent to sell substantially all assets of RSM McGladrey Business Services, Inc. (RSM) to McGladrey & Pullen LLP (M&P) which is described in a recently issued Form 8-K. The sale is dependent on, among other factors, the ability of M&P to raise financing for the purchase, and is expected to be completed by calendar year end. We also announced we are evaluating strategic alternatives for RSM EquiCo, Inc. (EquiCo). We recorded a $99.7 million impairment of goodwill in the first quarter for reporting units in our Business Services segment based on these events. These amounts related to the sale of RSM may fluctuate based on adjustments to the purchase price at closing as well as the additional realization of tax benefits related to the sale. M&P will also assume substantially all liabilities, including contingent payments and lease obligations.

3. Loss Per Share and Stockholders' Equity

Basic and diluted loss per share is computed using 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 14.5 million shares and 14.7 million shares for the three months ended July 31, 2011 and 2010, 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 July 31,	2011	2010
Net loss from continuing operations attributable to shareholders	$(173,443)	$(127,638)
Amounts allocated to participating securities (nonvested shares)	(114)	(20)
Net loss from continuing operations attributable to common shareholders	$(173,557)	$(127,658)
Basic weighted average common shares	305,491	319,690
Potential dilutive shares	-	-
Dilutive weighted average common shares	305,491	319,690
Loss per share from continuing operations:		
Basic	$ (0.57)	$ (0.40)
Diluted	(0.57)	(0.40)

The weighted average shares outstanding for the three months ended July 31, 2011 decreased to 305.5 million from 319.7 million for the three months ended July 31, 2010 primarily due to share repurchases completed in the prior year. During the three months ended July 31, 2010, we purchased and immediately retired 15.5 million shares of our common stock at a cost of $235.7 million.

During the three months ended July 31, 2011 and 2010, we issued 0.5 million and 0.9 million shares of common stock, respectively, due to the exercise of stock options, employee stock purchases and vesting of nonvested shares.

During the three months ended July 31, 2011, we acquired 0.1 million shares of our common stock at an aggregate cost of $2.0 million, and during the three months ended July 31, 2010, we acquired 0.2 million shares at an aggregate cost of $3.4 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 three months ended July 31, 2011, we granted 2.3 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 $3.37 for management options. These awards vest over a three year period with one-third vesting each year. Stock-based compensation expense of our continuing operations totaled $4.1 million and $3.4 million for the three months ended July 31, 2011 and 2010, respectively. At July 31, 2011, unrecognized compensation cost for options totaled $9.6 million, and for nonvested shares and units totaled $22.5 million.

4. Receivables

Our short-term receivables consist of the following:

(in 000s)

As of	July 31, 2011	April 30, 2011
Business Services receivables	$ 224,631	$ 281,847
Loans to franchisees	62,313	62,181
Receivables for tax preparation and related fees	36,203	38,930
Emerald Advance lines of credit	30,699	31,645
Royalties from franchisees	707	11,645
Tax client receivables related to RALs	1,971	2,412
Other	40,446	131,096
	396,970	559,756
Allowance for doubtful accounts	(67,582)	(67,466)
	$ 329,388	$ 492,290

The short-term portion of Emerald Advance lines of credit (EAs), tax client receivables related to refund anticipation loans (RALs) and loans made to franchisees is included in receivables, while the long-term portion is included in other assets in the condensed consolidated financial statements. These amounts are as follows:

(in 000s)

	Emerald Advance Lines of Credit	Tax Client Receivables - RALs	Loans to Franchisees
As of July 31, 2011:			
Short-term	$ 30,699	$ 1,971	$ 62,313
Long-term	18,539	5,271	123,962
	$ 49,238	$ 7,242	$ 186,275
As of April 30, 2011:			
Short-term	$ 31,645	$ 2,412	$ 62,181
Long-term	21,619	5,855	110,420
	$ 53,264	$ 8,267	$ 172,601

We review the credit quality of our EA receivables and tax client receivables related to RALs based on pools, which are segregated by the year of origination, with older years being deemed more unlikely to be repaid. These amounts as of July 31, 2011, by year of origination, are as follows:

(in 000s)

	Emerald Advance Lines of Credit	Tax Client Receivables - RALs
Credit Quality Indicator – Year of origination:		
2011	$ 25,738	$ -
2010	5,006	86
2009	4,953	2,124
2008 and prior	2,082	5,032
Revolving loans	11,459	-
	$ 49,238	$ 7,242

As of July 31, 2011 and April 30, 2011, $44.6 million and $46.8 million, respectively, of EAs were on non-accrual status and classified as impaired, or more than 60 days past due. All tax client receivables related to RALs are considered impaired.

Loans made to franchisees totaled $186.3 million at July 31, 2011, and consisted of $140.0 million in term loans made to finance the purchase of franchises and $46.3 million in revolving lines of credit made to existing franchisees primarily for the purpose of funding their off-season needs.

Our allowance for doubtful accounts consists of the following:

(in 000s)

As of	July 31, 2011	April 30, 2011
Allowance related to:		
Emerald Advance lines of credit	$ 5,350	$ 4,400
Tax client receivables related to RALs	-	-
Loans to franchisees	-	-
All other receivables	62,232	63,066
	$ 67,582	$ 67,466

Activity in the allowance for doubtful accounts for the three months ended July 31, 2011 and 2010 is as follows:

(in 000s)

	Emerald Advance Lines of Credit	Tax Client Receivables - RALs	Loans to Franchisees	All Other	Total
Balance as of April 30, 2011	$ 4,400	$ -	$ -	$63,066	$ 67,466
Provision	950	-	-	1,955	2,905
Recoveries	-	-	-	51	51
Charge-offs	-	-	-	(2,840)	(2,840)
Balance as of July 31, 2011	$ 5,350	$ -	$ -	$62,232	$ 67,582
Balance as of April 30, 2010	$ 35,239	$ 12,191	$ 4	$65,041	$112,475
Provision	710	2	-	1,078	1,790
Recoveries	-	-	-	128	128
Charge-offs	-	-	(4)	(2,015)	(2,019)
Balance as of July 31, 2010	$ 35,949	$ 12,193	$ -	$64,232	$112,374

There were no changes to our methodology related to the calculation of our allowance for doubtful accounts during the three months ended July 31, 2011.

5. Mortgage Loans Held for Investment and Related Assets

The composition of our mortgage loan portfolio as of July 31, 2011 and April 30, 2011 is as follows:

(dollars in 000s)

	July 31, 2011		April 30, 2011	
As of	Amount	% of Total	Amount	% of Total
Adjustable-rate loans	$320,539	58%	$333,828	58%
Fixed-rate loans	233,452	42%	239,146	42%
	553,991	100%	572,974	100%
Unamortized deferred fees and costs	3,975		4,121	
Less: Allowance for loan losses	(91,303)		(92,087)	
	$466,663		$485,008	

Our loan loss allowance as a percent of mortgage loans was 16.5% at July 31, 2011, compared to 16.1% at April 30, 2011. Activity in the allowance for loan losses for the three months ended July 31, 2011 and 2010 is as follows:

(in 000s)

Three Months Ended July 31,	2011	2010
Balance, beginning of the period	$92,087	$ 93,535
Provision	5,625	8,000
Recoveries	49	33
Charge-offs	(6,458)	(13,172)
Balance, end of the period	$91,303	$ 88,396

When determining our allowance for loan losses, we evaluate loans less than 60 days past due on a pooled basis, while loans we consider impaired, including those loans more than 60 days past due or

modified as troubled debt restructurings (TDRs), are evaluated individually. The balance of these loans and the related allowance is as follows:

(in 000s)

	July 31, 2011		April 30, 2011	
As of	Portfolio Balance	Related Allowance	Portfolio Balance	Related Allowance
Pooled (less than 60 days past due)	$ 290,762	$ 10,914	$ 304,325	$ 11,238
Impaired:				
Individually (TDRs)	95,417	9,499	106,328	11,056
Individually (60 days or more past due)	167,812	70,890	162,321	69,793
	$ 553,991	$ 91,303	$ 572,974	$ 92,087

Our portfolio includes loans originated by Sand Canyon Corporation (SCC) and purchased by H&R Block Bank (HRB Bank) which constitute 63% of the total loan portfolio at July 31, 2011. 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 $207.3 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 July 31, 2011 is as follows:

(dollars in 000s)

	Outstanding Principal Balance	Loan Loss Allowance		% 30+ Days Past Due
		Amount	% of Principal	
Purchased from SCC	$ 346,695	$80,640	23.3%	44.8%
All other	207,296	10,663	5.1%	12.4%
	$ 553,991	$91,303	16.5%	32.7%

Credit quality indicators at July 31, 2011 include the following:

(in 000s)

Credit Quality Indicators	Purchased from SCC	All Other	Total Portfolio
Occupancy status:			
Owner occupied	$ 244,259	$132,132	$ 376,391
Non-owner occupied	102,436	75,164	177,600
	$ 346,695	$207,296	$ 553,991
Documentation level:			
Full documentation	$ 105,547	$150,972	$ 256,519
Limited documentation	10,447	22,411	32,858
Stated income	198,898	21,168	220,066
No documentation	31,803	12,745	44,548
	$ 346,695	$207,296	$ 553,991
Internal risk rating:			
High	$ 143,931	$ 357	$ 144,288
Medium	202,764	-	202,764
Low	-	206,939	206,939
	$ 346,695	$207,296	$ 553,991

Loans given our internal risk rating of "high" are generally originated by SCC, have no documentation or are stated income and are non-owner occupied. Loans given our internal risk rating of "medium" are generally full documentation or stated income, with loan-to-value at origination of more than 80% and have credit scores at origination below 700. Loans given our internal risk rating of "low" are generally full documentation, with loan-to-value at origination of less than 80% and have credit scores greater than 700.

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 52% of our

mortgage loan portfolio consists of loans to borrowers located in the states of Florida, California and New York. Detail of the aging of the mortgage loans in our portfolio that are past due as of July 31, 2011 is as follows:

(in 000s)

	Less than 60 Days Past Due	60-89 Days Past Due	90+Days Past Due(1)	Total Past Due	Current	Total
Purchased from SCC	$ 35,960	$ 8,886	$ 133,767	$178,613	$168,082	$346,695
All other	10,470	1,735	20,479	32,684	174,612	207,296
	$ 46,430	$ 10,621	$ 154,246	$211,297	$342,694	$553,991

(1) No loans past due 90 days or more are still accruing interest.

Information related to our non-accrual loans is as follows:

(in 000s)

As of	July 31, 2011	April 30, 2011
Loans:		
Purchased from SCC	$138,277	$ 143,358
Other	22,964	14,106
	161,241	157,464
TDRs:		
Purchased from SCC	3,767	2,849
Other	178	329
	3,945	3,178
Total non-accrual loans	$165,186	$ 160,642

Information related to impaired loans is as follows:

(in 000s)

	Portfolio Balance With Allowance	Portfolio Balance With No Allowance	Total Portfolio Balance	Related Allowance
As of July 31, 2011:				
Purchased from SCC	$ 180,494	$ 47,081	$ 227,575	$ 70,964
Other	27,954	7,700	35,654	9,425
	$ 208,448	$ 54,781	$ 263,229	$ 80,389
As of April 30, 2011:				
Purchased from SCC (1)	$ 180,387	$ 51,674	$ 232,061	$ 71,733
Other (1)	29,027	7,561	36,588	9,116
	$ 209,414	$ 59,235	$ 268,649	$ 80,849

(1) Classification of amounts as of April 30, 2011 have been restated to conform to the current period presentation.

Information related to the allowance for impaired loans is as follows:

(in 000s)

As of	July 31, 2011	April 30, 2011
Portion of total allowance for loan losses allocated to impaired loans and TDR loans:		
Based on collateral value method	$ 70,890	$ 69,794
Based on discounted cash flow method	9,499	11,055
	$ 80,389	$ 80,849

Information related to activities of our non-performing assets is as follows:

		(in 000s)
Three Months Ended July 31,	2011	2010
Average impaired loans:		
Purchased from SCC	$230,150	
All other	36,477	
	$266,627	$303,767
Interest income on impaired loans:		
Purchased from SCC	$ 1,556	
All other	119	
	$ 1,675	$ 1,749
Interest income on impaired loans recognized on a cash basis on non-accrual status:		
Purchased from SCC	$ 1,498	
All other	114	
	$ 1,612	$ 1,636

Our real estate owned includes loans accounted for as in-substance foreclosures of $7.2 million and $7.7 million at July 31, 2011 and April 30, 2011, respectively. Activity related to our real estate owned is as follows:

		(in 000s)
Three Months Ended July 31,	2011	2010
Balance, beginning of the period	$19,532	$29,252
Additions	1,573	6,527
Sales	(3,722)	(8,827)
Writedowns	(793)	(643)
Balance, end of the period	$16,590	$26,309

6. Assets and Liabilities Measured at Fair Value

We use the following valuation methodologies for assets and liabilities measured at fair value and the general classification of these instruments pursuant to the fair value hierarchy.

- Available-for-sale securities – Available-for-sale securities are carried at fair value on a recurring basis. When available, fair value is based on quoted prices in an active market and as such, would be classified as Level 1. If quoted market prices are not available, we use a third-party pricing service to determine fair value and classify the securities as Level 2. The service's pricing model is based on market data and utilizes available trade, bid and other market information. Available-for-sale securities that we classify as Level 2 include certain agency and non-agency mortgage-backed securities, U.S. states and political subdivisions debt securities and other debt and equity securities.
- Real estate owned – REO includes foreclosed properties securing mortgage loans. Foreclosed assets are adjusted to fair value less costs to sell upon transfer of the loans to REO. Fair value is generally based on independent market prices or appraised values of the collateral. Subsequent holding period losses and losses arising from the sale of REO are expensed as incurred. Because our REO is valued based on significant inputs that are unobservable in the market and our own estimates of assumptions that we believe market participants would use in pricing the asset, these assets are classified as Level 3.
- Impaired mortgage loans held for investment – The fair value of impaired mortgage loans held for investment is generally based on the net present value of discounted cash flows for TDR loans or the appraised value of the underlying collateral for all other loans. These loans are classified as Level 3.

The following table presents for each hierarchy level the assets that were remeasured at fair value on both a recurring and non-recurring basis during the three months ended July 31, 2011 and 2010 and the gains (losses) on those remeasurements:

(dollars in 000s)

	Total	Level 1	Level 2	Level 3	Gain (loss)
As of July 31, 2011:					
Recurring:					
Mortgage-backed securities	$192,491	$ -	$192,491	$ -	$ 1,936
Municipal bonds	7,758	-	7,758	-	449
Non-recurring:					
REO	3,446	-	-	3,446	(482)
Impaired mortgage loans held for investment	61,997	-	-	61,997	(1,473)
	$265,692	$ -	$200,249	$65,443	$ 430
As a percentage of total assets	6.2%	-%	4.7%	1.5%	
As of July 31, 2010:(1)					
Recurring:					
Mortgage-backed securities	$ 21,893	$ -	$ 21,893	$ -	$ (20)
Municipal bonds	8,981	-	8,981	-	566
Trust preferred security	32	-	32	-	(1,618)
Non-recurring:					
REO	3,321	-	-	3,321	(589)
Impaired mortgage loans held for investment	69,467	-	-	69,467	(2,227)
	$103,694	$ -	$ 30,906	$72,788	$ (3,888)
As a percentage of total assets	2.3%	-%	0.7%	1.6%	

(1) Amounts have been restated to conform to the current period presentation.

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

The following methods were used to determine the fair values of our other financial instruments:

- Cash equivalents, accounts receivable, investment in FHLB stock, accounts payable, accrued liabilities, commercial paper borrowings and the current portion of long-term debt – The carrying values reported in the balance sheet for these items approximate fair market value due to the relative short-term nature of the respective instruments.
- Mortgage loans held for investment – The fair value of mortgage loans held for investment is generally determined using market pricing sources based on origination channel and performance characteristics.
- Deposits – The estimated fair value of demand deposits is the amount payable on demand at the reporting date. The estimated fair value of IRAs and other time deposits is estimated by discounting the future cash flows using the rates currently offered by HRB Bank for products with similar remaining maturities.
- Long-term borrowings and FHLB borrowings – The fair value of borrowings is based on rates currently available to us for obligations with similar terms and maturities, including current market yields on our Senior Notes.

The carrying amounts and estimated fair values of our financial instruments at July 31, 2011 are as follows:

(in 000s)

	Carrying Amount	Estimated Fair Value
Mortgage loans held for investment	$ 466,663	$ 282,546
Deposits	678,071	678,352
Long-term borrowings	1,050,371	1,105,686
FHLB advances	25,000	24,998

7. Goodwill and Intangible Assets

Changes in the carrying amount of goodwill for the three months ended July 31, 2011 consist of the following:

(in 000s)

	Tax Services	Business Services	Total
Balance at April 30, 2011:			
Goodwill	$ 459,039	$ 427,094	$ 886,133
Accumulated impairment losses	(24,888)	(15,000)	(39,888)
	434,151	412,094	846,245
Changes:			
Acquisitions	3,478	34	3,512
Disposals and foreign currency changes	112	(7,561)	(7,449)
Impairments	-	(99,697)	(99,697)
Balance at July 31, 2011:			
Goodwill	462,629	419,567	882,196
Accumulated impairment losses	(24,888)	(114,697)	(139,585)
	$ 437,741	$ 304,870	$ 742,611

We test goodwill and other indefinite-life intangible assets for impairment annually or more frequently if events occur or circumstances change which would, more likely than not, reduce the fair value of a reporting unit below its carrying value. In August 2011, our Board of Directors approved a non-binding letter of intent to sell substantially all assets of RSM to M&P. The sale is dependent on, among other factors, the ability of M&P to raise financing for the purchase. In conjunction with this sale, we are also evaluating strategic alternatives for EquiCo. Both of these businesses are separate reporting units within the Business Services segment.

These decisions triggered an interim review of the goodwill for our RSM and EquiCo reporting units. The fair values of both reporting units were reviewed based on expected sale prices in the market compared to book value. As a result of that review, we recorded a goodwill impairment of $85.4 million related to our RSM reporting unit, leaving a remaining goodwill balance of approximately $304.9 million. We have also recorded a goodwill impairment of $14.3 million related to our EquiCo reporting unit, leaving no remaining goodwill balance.

Intangible assets consist of the following:

(in 000s)

As of	July 31, 2011			April 30, 2011		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Tax Services:						
Customer relationships	$ 86,678	$ (43,031)	$ 43,647	$ 87,624	$ (41,076)	$ 46,548
Noncompete agreements	23,451	(22,278)	1,173	23,456	(22,059)	1,397
Reacquired franchise rights	214,330	(10,991)	203,339	214,330	(9,961)	204,369
Franchise agreements	19,201	(3,414)	15,787	19,201	(3,093)	16,108
Purchased technology	14,700	(9,070)	5,630	14,700	(8,505)	6,195
Trade name	1,325	(650)	675	1,325	(600)	725
Business Services:						
Customer relationships	147,208	(125,848)	21,360	152,079	(128,738)	23,341
Noncompete agreements	35,551	(25,101)	10,450	35,818	(24,662)	11,156
Attest firm affiliation	7,629	(424)	7,205	7,629	(318)	7,311
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
	$608,310	$ (248,275)	$360,035	$614,399	$ (246,480)	$367,919

Amortization of intangible assets for the three months ended July 31, 2011 and 2010 was $7.7 and $6.9 million respectively. Estimated amortization of intangible assets for fiscal years 2012 through 2016 is $27.1 million, $22.7 million, $19.2 million, $14.4 million and $13.0 million, respectively.

In connection with a prior acquisition, we have a liability related to unfavorable operating lease terms in the amount of $5.9 million, which will be amortized over the remaining contractual life of the operating lease. The net balance was $5.3 million at July 31, 2011.

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. The U.S. Federal consolidated tax returns for the years 1999 through 2009 are currently under examination by the Internal Revenue Service, with the 1999-2005 years currently at the appellate level. Federal returns for 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 three months ended July 31, 2011, we reduced our gross interest and penalties accrued by $3.1 million related to our uncertain tax positions due to statute of limitations expirations and settlements made with various taxing authorities. We had gross unrecognized tax benefits of $145.5 million and $154.8 million at July 31, 2011 and April 30, 2011, respectively. The gross unrecognized tax benefits decreased $9.3 million net in the current year, due to statute of limitations expirations and settlements with taxing authorities, partially offset by accruals of tax and interest 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 July 31, 2011, and included this amount in other noncurrent liabilities on the condensed consolidated balance sheet.

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 gross amount of reserves for previously unrecognized tax benefits may decrease by $16.9 million within twelve months of July 31, 2011. 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 interest income and expense of our continuing operations:

		(in 000s)
Three Months Ended July 31,	2011	2010
Interest income:		
Mortgage loans, net	$ 5,661	$ 6,323
Other	4,772	3,979
	$10,433	$10,302
Interest expense:		
Borrowings	$21,494	$20,643
Deposits	1,656	1,923
FHLB advances	151	396
	$23,301	$22,962

10. Regulatory Requirements

HRB Bank files its regulatory Thrift Financial Report (TFR) on a calendar quarter basis with the Office of Thrift Supervision (OTS). In July 2011, as a result of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Reform Act), the responsibility and authority of the OTS moved to the Office of the Comptroller of the Currency (OCC). HRB Bank will continue to file TFR reports with the OCC through December 31, 2011. Beginning March 31, 2012, HRB Bank will file Reports of Condition and Income (Call Report) with the OCC quarterly.

The following table sets forth HRB Bank's regulatory capital requirements, as calculated in its TFR:

(dollars in 000s)

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of June 30, 2011:						
Total risk-based capital ratio (1)	$411,062	94.5%	$ 34,813	8.0%	$43,516	10.0%
Tier 1 risk-based capital ratio (2)	$405,333	93.1%	N/A	N/A	$26,110	6.0%
Tier 1 capital ratio (leverage) (3)	$405,333	35.0%	$ 139,141	12.0%	$57,975	5.0%
Tangible equity ratio (4)	$405,333	35.0%	$ 17,393	1.5%	N/A	N/A
As of March 31, 2011:						
Total risk-based capital ratio (1)	$405,000	92.5%	$ 35,019	8.0%	$43,773	10.0%
Tier 1 risk-based capital ratio (2)	$399,187	91.2%	N/A	N/A	$26,264	6.0%
Tier 1 capital ratio (leverage) (3)	$399,187	22.8%	$ 209,758	12.0%	$87,399	5.0%
Tangible equity ratio (4)	$399,187	22.8%	$ 26,220	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.

As of July 31, 2011, HRB Bank's leverage ratio was 35.3%.

11. 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)

Three Months Ended July 31,	2011	2010
Balance, beginning of period	$140,603	$141,542
Amounts deferred for new guarantees issued	553	654
Revenue recognized on previous deferrals	(27,181)	(28,547)
Balance, end of period	$113,975	$113,649

In addition to amounts accrued for our POM guarantee, we had accrued $13.0 million and $14.7 million at July 31, 2011 and April 30, 2011, respectively, related to our standard guarantee which is included with our standard tax preparation services.

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

(in 000s)

As of	July 31, 2011	April 30, 2011
Franchise Equity Lines of Credit – undrawn commitment	$ 38,319	$ 37,695
Media advertising purchase obligation	9,690	9,498

We have various contingent purchase price obligations for acquisitions prior to May 2009. In many cases, contingent payments to be made in connection with these acquisitions are not subject to a stated limit. We estimate the potential payments (undiscounted) for which we have not recorded a liability totaling $1.4 million and $3.8 million as of July 31, 2011 and April 30, 2011, respectively. We have recorded liabilities totaling $10.2 million and $11.0 million as of July 31, 2011 and April 30, 2011, respectively, in conjunction with contingent payments related to more recent acquisitions, with the short-term amount recorded in accounts payable, accrued expenses and deposits and the long-term portion included in other noncurrent liabilities. Our estimate is based on current financial conditions. Should actual results differ materially from our assumptions, the potential payments will differ from the above estimate.

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 July 31, 2011.

Variable Interests

We evaluated our financial interests in variable interest entities (VIEs) as of July 31, 2011 and determined that there have been no significant changes related to those financial interests. As of July 31, 2011, we believe RSM's maximum exposure to economic loss related to their shared office space with McGladrey & Pullen, LLP from operating leases under the administrative services agreement totaled $95.2 million.

Discontinued Operations

SCC, previously known as Option One Mortgage Corporation, ceased originating mortgage loans in December 2007 and, in April 2008, sold its servicing assets and discontinued its remaining operations. The sale of servicing assets did not include the sale of any mortgage loans.

In connection with the securitization and sale of loans, SCC made certain representations and warranties, including, but not limited to, representations relating to matters such as ownership of the loan, validity of lien securing the loan, and the loan's compliance with SCC's underwriting criteria. Representations and warranties in whole loan sale transactions to institutional investors included a "knowledge qualifier" which limits SCC liability for borrower fraud to those instances where SCC had knowledge of the fraud at the time the loans were sold. In the event that there is a breach of a representation and warranty and such breach materially and adversely affects the value of a mortgage loan, SCC may be obligated to repurchase a loan or otherwise indemnify certain parties for losses incurred as a result of loan liquidation. Generally, these representations and warranties are not subject to a stated term, but would be subject to statutes of limitation applicable to the contractual provisions.

Claims received by SCC have primarily related to alleged breaches of representations and warranties related to a loan's compliance with the underwriting standards established by SCC at origination, borrower fraud and credit exceptions without sufficient compensating factors. Claims received since May 1, 2008 are as follows:

(in millions)

	Fiscal Year	Fiscal Year 2010				Fiscal Year 2011				Fiscal Year 2012	
	2009	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Total
Loan Origination Year:											
2005	$ 62	$ -	$ 15	$ -	$ -	$ 6	$ 1	$ -	$ 1	$ -	$ 85
2006	217	2	57	4	45	100	15	29	50	29	548
2007	153	4	11	7	-	3	5	4	4	2	193
Total	$ 432	$ 6	$ 83	$ 11	$ 45	$ 109	$ 21	$ 33	$ 55	$ 31	$ 826

Note: The table above excludes amounts related to an indemnity agreement dated April 2008, which is discussed below.

For claims received, reviewed and determined to be valid, SCC has complied with its obligations by either repurchasing the mortgage loans or REO properties, providing for the reimbursement of losses in connection with liquidated REO properties, or reaching other settlements. SCC has denied approximately 85% of all claims received, excluding resolution reached under other settlements. Counterparties could reassert claims that SCC has denied. Of claims determined to be valid, approximately 22% resulted in loan

repurchases, and 78% resulted in indemnification or settlement payments. Losses on loan repurchase, indemnification and settlement payments totaled approximately $117 million for the period May 1, 2008 through July 31, 2011. Loss severity rates on repurchases and indemnification have approximated 57% and SCC has not observed any material trends related to average losses. Repurchased loans are considered held for sale and are included in prepaid expenses and other current assets on the condensed consolidated balance sheets. The net balance of all mortgage loans held for sale by SCC was $11.9 million at July 31, 2011.

SCC generally has 60 to 120 days to respond to representation and warranty claims and performs a loan-by-loan review of all repurchase claims during this time. SCC has completed its review of all claims, with the exception of claims totaling approximately $66 million, which remained subject to review as of July 31, 2011. Of the claims still subject to review, approximately $52 million are from private-label securitizations, and $14 million are from monoline insurers. Approximately $8 million of claims under review represent requests by the counterparty for additional information related to denied claims, or are a reassertion of previously denied claims.

All claims asserted against SCC since May 1, 2008 relate to loans originated during calendar years 2005 through 2007, of which, approximately 89% relate to loans originated in calendar years 2006 and 2007. During calendar year 2005 through 2007, SCC originated approximately $84 billion in loans, of which less than 1% were sold to government sponsored entities. SCC is not subject to loss on loans that have been paid in full, repurchased, or were sold without recourse.

The majority of claims asserted since May 1, 2008, which have been determined by SCC to represent a valid breach of its representations and warranties, relate to loans that became delinquent within the first two years following the origination of the mortgage loan. SCC believes the longer a loan performs prior to an event of default, the less likely the default will be related to a breach of a representation and warranty. The balance of loans originated in 2005, 2006 and 2007 which defaulted in the first two years is $4.0 billion, $6.3 billion and $2.9 billion, respectively, at July 31, 2011.

SCC has recorded a liability for estimated contingent losses related to representation and warranty claims as of July 31, 2011, of $125.8 million, which represents SCC's best estimate of the probable loss that may occur. During the prior year, payments totaling $49.8 million were made under an indemnity agreement dated April 2008 with a specific counterparty in exchange for a full and complete release of such party's ability to assert representation and warranty claims. The indemnity agreement was given as part of obtaining the counterparty's consent to SCC's sale of its mortgage servicing business in 2008. We have no remaining payment obligations under this indemnity agreement.

The recorded liability represents SCC's estimate of losses from future claims where assertion of a claim and a related contingent loss are both deemed probable. Because the rate at which future claims may be deemed valid and actual loss severity rates may differ significantly from historical experience, SCC is not able to estimate reasonably possible loss outcomes in excess of its current accrual. A 1% increase in both assumed validity rates and loss severities would result in losses beyond SCC's accrual of approximately $16 million. This sensitivity is hypothetical and is intended to provide an indication of the impact of a change in key assumptions on the representations and warranties liability. In reality, changes in one assumption may result in changes in other assumptions, which may or may not counteract the sensitivity.

While SCC uses the best information available to it in estimating its liability, assessing the likelihood that claims will be asserted in the future and estimating probable losses are inherently difficult to estimate and require considerable management judgment. Although net losses on settled claims since May 1, 2008 have been within initial loss estimates, to the extent that the volume of asserted claims, the level of valid claims, the counterparties asserting claims, the nature of claims, or the value of residential home prices differ in the future from current estimates, future losses may be greater than the current estimates and those differences may be significant.

A rollforward of our liability for losses on repurchases for the three months ended July 31, 2011 and 2010 is as follows:

		(in 000s)
Three Months Ended July 31,	2011	2010
Balance at beginning of period:		
Amount related to repurchase and indemnifications	$126,260	$138,415
Amount related to indemnity agreement dated April 2008	–	49,785
	126,260	188,200
Changes:		
Provisions	–	–
Losses on repurchase and indemnifications	(485)	–
Payments under indemnity agreement dated April 2008	–	(70)
Balance at end of period:		
Amount related to repurchase and indemnifications	125,775	138,415
Amount related to indemnity agreement dated April 2008	–	49,715
	$125,775	$188,130

12. 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 $86.3 million and $70.6 million at July 31, 2011 and April 30, 2011, respectively. Litigation is inherently unpredictable and it is difficult to project 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.

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 and HRB remain subject to investigations, claims and lawsuits pertaining to SCC's mortgage business activities that occurred prior to such termination and sale. These investigations, claims and lawsuits include actions by state and federal regulators, municipalities, third party indemnitees, 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, fraud, rights to indemnification, and violations of securities laws, the Truth in Lending Act, Equal Credit Opportunity Act and the Fair Housing Act. Given the non-prime mortgage environment, the number of these investigations, claims and lawsuits has increased over historical experience and is likely to continue to increase. The amounts claimed in these investigations, claims and lawsuits are substantial in some instances, and the ultimate resulting liability is difficult to predict and thus cannot be reasonably estimated. In the event of unfavorable outcomes, the amounts that may be required to be paid in the discharge of liabilities or settlements could be substantial and could have a material 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) styled *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. To avoid the cost and inherent risk associated with litigation, the parties have reached an agreement to settle this case. The settlement requires a cash payment from SCC to the Attorney General of $9.8 million, in addition to certain loan modification relief to Massachusetts borrowers estimated at $115 million in benefits. The agreement also provides for a contingent cash payment of up to $5 million in the event certain loan

modification relief is not available. We have a liability recorded for our best estimate of the expected loss. We do not believe losses in excess of our accrual would be material to our financial statements, although it is possible that our losses could exceed the amount we have accrued.

On February 1, 2008, a class action lawsuit was filed in the United States District Court for the District of Massachusetts against SCC and other related entities styled *Cecil Barrett, et al. v. Option One Mortgage Corp., et al.* (Civil Action No. 08-10157-RWZ). Plaintiffs allege discriminatory practices relating to the origination of mortgage loans in violation of the Fair Housing Act and Equal Credit Opportunity Act, and seek declaratory and injunctive relief in addition to actual and punitive damages. The court dismissed H&R Block, Inc. from the lawsuit for lack of personal jurisdiction. In March 2011, the court issued an order certifying a class, which defendants sought to appeal. On August 24, 2011, the First Circuit Court of Appeals declined to hear the appeal, noting that the district court could reconsider its certification decision in light of a recent ruling by the United States Supreme Court in an unrelated matter. We do not believe losses in excess of our accrual would be material to our financial statements, although it is possible that our losses could exceed the amount we have accrued. We believe we have meritorious defenses to the claims in this case and intend to defend the case vigorously, but there can be no assurances as to its outcome or its impact on our consolidated results of operations.

On December 9, 2009, a putative class action lawsuit was filed in the United States District Court for the Central District of California against SCC and H&R Block, Inc. styled *Jeanne Drake, et al. v. Option One Mortgage Corp., et al.* (Case No. SACV09-1450 CJC). Plaintiffs allege breach of contract, promissory fraud, intentional interference with contractual relations, wrongful withholding of wages and unfair business practices in connection with the failure to pay severance benefits to employees when their employment transitioned to American Home Mortgage Servicing, Inc. in connection with the sale of certain assets and operations of Option One. Plaintiffs seek to recover severance benefits of approximately $8 million, interest and attorney's fees, in addition to penalties and punitive damages on certain claims. Plaintiffs' motion for class certification is pending. All parties have filed motions for summary judgment. The court has set a hearing on all pending motions on August 29, 2011. We have not concluded that a loss related to this matter is probable nor have we established a loss contingency related to this matter. We believe we have meritorious defenses to the claims in this case and intend to defend the case vigorously, but there can be no assurances as to its outcome or its impact on our consolidated results of operations.

On October 15, 2010, the Federal Home Loan Bank of Chicago filed a lawsuit in the Circuit Court of Cook County, Illinois (Case No. 10CH45033) styled *Federal Home Loan Bank of Chicago v. Bank of America Funding Corporation, et al.* against multiple defendants, including various SCC related entities and H&R Block, Inc. related entities, arising out of Federal Home Loan Bank's (FHLB's) purchase of mortgage-backed securities. Plaintiff asserts claims for rescission and damages under state securities law and for common law negligent misrepresentation in connection with its purchase of two securities originated and securitized by SCC. These two securities had a total initial principal amount of approximately $50 million, of which approximately $42 million remains outstanding. We have not concluded that a loss related to this matter is probable nor have we established a loss contingency related to this matter. We believe the claims in this case are without merit and we intend to defend them vigorously. There can be no assurances, however, as to its outcome or its impact on our consolidated results of operations.

Employment-Related Claims and Litigation

We have been named in several wage and hour class action lawsuits throughout the country, including *Alice Williams v. H&R Block Enterprises LLC*, Case No.RG08366506 (Superior Court of California, County of Alameda, filed January 17, 2008) (alleging improper classification of office managers in California); *Arabella Lemus v. H&R Block Enterprises LLC, et al.,* Case No. CGC-09-489251 (United States District Court, Northern District of California, filed June 9, 2009) (alleging failure to timely pay compensation to tax professionals in California and to include itemized information on wage statements); *Delana Ugas v. H&R Block Enterprises LLC, et al.,* Case No. BC417700 (United States District Court, Central District of California, filed July 13, 2009) (alleging failure to compensate tax professionals in California for all hours worked and to provide meal periods); and *Barbara Petroski v. H&R Block Eastern Enterprises, Inc., et al.,* Case No. 10-CV-00075 (United States District Court, Western District of Missouri, filed January 25, 2010) (alleging failure to compensate tax professionals nationwide for off-

season training). A class was certified in the *Lemus* case in December 2010 (consisting of tax professionals who worked in company-owned offices in California from 2007 to 2010); in the *Williams* case in March 2011 (consisting of office managers who worked in company-owned offices in California from 2004 to 2011); and in the *Ugas* case in August 2011 (consisting of tax professionals who worked in company-owned offices in California from 2006 to 2011). A conditional class was certified in the *Petroski* case in March 2011 (consisting of tax professionals nationwide who worked in company-owned offices and who were not compensated for certain training courses occurring on or after April 15, 2007).

The plaintiffs in the wage and hour class action lawsuits seek actual damages, pre-judgment interest and attorneys' fees, in addition to statutory penalties under California and federal law, which could equal up to 30 days of wages per tax season for class members who worked in California. A portion of our loss contingency accrual is related to these lawsuits for the amount of loss that we consider probable and estimable. For those wage and hour class action lawsuits for which we are able to estimate a range of possible loss, the current estimated range is $0 to $70 million in excess of the accrued liability related to those matters. This estimated range of possible loss is based upon currently available information and is subject to significant judgment and a variety of assumptions and uncertainties. The matters underlying the estimated range will change from time to time, and actual results may vary significantly from the current estimate. Because this estimated range does not include matters for which an estimate is not possible, the range does not represent our maximum loss exposure for the wage and hour class action lawsuits. We believe we have meritorious defenses to the claims in these lawsuits and intend to defend them vigorously. The amounts claimed in these matters are substantial in some instances and the ultimate liability with respect to these matters is difficult to predict. There can be no assurances as to the outcome of these cases or their impact on our consolidated results of operations, individually or in the aggregate.

RAL Litigation

We have been named in multiple lawsuits as defendants in litigation regarding our refund anticipation loan program in past years. All of those lawsuits have been settled or otherwise resolved, except for one.

The sole remaining case is a putative class action styled *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 allege inadequate disclosures with respect to the RAL product and assert claims for violation of consumer protection statutes, negligent misrepresentation, breach of fiduciary duty, common law fraud, usury, and violation of the Truth In Lending Act. 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. An appellate court subsequently reversed the decertification decision. We are appealing the reversal. We have not concluded that a loss related to this matter is probable nor have we accrued a loss contingency related to this matter. Plaintiffs have not provided a dollar amount of their claim and we are not able to estimate a possible range of loss. 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.

Express IRA Litigation

We have been named defendants in lawsuits regarding our former Express IRA product. All of those lawsuits have been settled or otherwise resolved, except for one.

The one remaining case was filed on January 2, 2008 by the Mississippi Attorney General in the Chancery Court of Hinds County, Mississippi First Judicial District (Case No. G 2008 6 S 2) and is styled *Jim Hood, Attorney for the State of Mississippi v. H&R Block, Inc., H&R Block Financial Advisors, 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 sale of the product in Mississippi and seeks equitable relief, disgorgement of profits, damages and restitution, civil penalties and punitive damages. We are not able to estimate a possible range of loss. 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.

Although we sold H&R Block Financial Advisors, Inc. (HRBFA) effective November 1, 2008, we remain responsible for any liabilities relating to the Express IRA litigation, among other things, through an indemnification agreement. A portion of our accrual is related to these indemnity obligations.

RSM McGladrey Litigation

EquiCo, its parent and certain of its subsidiaries and affiliates, are parties to a class action filed on July 11, 2006 and styled *Do Right's Plant Growers, et al. v. RSM EquiCo, Inc., et al. (the "RSM Parties"),* Case No. 06 CC00137, in the California Superior Court, Orange County. The complaint contains allegations relating to business valuation services provided by EquiCo, including allegations of fraud, conversion 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. To avoid the cost and inherent risk associated with litigation, the parties reached an agreement to settle the case, subject to approval by the California Superior Court. The settlement requires a maximum payment of $41.5 million, although the actual cost of the settlement will depend on the number of valid claims submitted by class members. The California Superior Court preliminarily approved the settlement on July 29, 2011. A final approval hearing is set for October 20, 2011. The defendants believe they have meritorious defenses to the claims in this case and, if for any reason the settlement is not approved, they will continue to defend the case vigorously. Although we have a liability recorded for expected losses, there can be no assurance regarding the outcome of this matter.

On December 7, 2009, a lawsuit was filed in the Circuit Court of Cook County, Illinois (2010-L-014920) against M&P, RSM and H&R Block styled *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 (Case No. 1:10-CV-00274). The complaint, which was filed by the trustee for certain bankrupt investment funds, seeks unspecified damages and asserts claims against RSM for vicarious liability and alter ego liability and against H&R Block for equitable restitution relating to audit work performed by M&P. The amount claimed in this case is substantial. On November 3, 2010, the court dismissed the case against all defendants in its entirety with prejudice. The trustee has filed an appeal to the Seventh Circuit Court of Appeals with respect to the claims against M&P and RSM. No claims remain against H&R Block.

RSM and M&P operate in an alternative practice structure ("APS"). 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 that 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 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.

Other

In October 2010, we signed a definitive merger agreement to acquire all of the outstanding shares of 2SS Holdings, Inc. ("2SS"), developer of TaxACT digital tax preparation solutions, for $287.5 million in cash. In May 2011, the United States Department of Justice (DOJ) filed a civil antitrust lawsuit in the U.S. district court in Washington, D.C., (Case No. 1:11-cv-00948) against H&R Block and 2SS styled *United States v. H&R Block, Inc., 2SS Holdings, Inc., and TA IX L.P.,* to block our proposed acquisition of 2SS. A preliminary injunction hearing is set to occur in September 2011. There are no assurances that the DOJ's lawsuit will be resolved in our favor or that the transaction will be consummated.

In addition, 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. 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 impact on our consolidated results of operations.

We are also 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 impact on our consolidated results of operations.

13. Segment Information

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

		(in 000s)
Three Months Ended July 31,	2011	2010
Revenues:		
Tax Services	$ 91,425	$ 91,645
Business Services	167,263	174,710
Corporate	8,946	8,119
	$ 267,634	$ 274,474
Pretax income (loss):		
Tax Services	$(169,483)	$(174,624)
Business Services	(92,541)	(433)
Corporate	(31,118)	(32,260)
Loss from continuing operations before tax benefit	$(293,142)	$(207,317)

14. Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2011-05, "Comprehensive Income (Topic 220): Statement of Comprehensive Income." Under the amendments in this guidance, an entity has the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. This guidance eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders' equity. The amendments in this guidance do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. These amendments are effective for fiscal years beginning after December 15, 2011. Early adoption is permitted. We elected to adopt this guidance as of May 1, 2011, and it did not have an effect on our presentation of comprehensive income in our condensed consolidated financial statements.

In April 2011, the FASB issued Accounting Standards Update 2011-02, "Receivables (Topic 310) — A Creditor's Determination of Whether a Restructuring is a Troubled Debt Restructuring." This guidance assists in determining if a loan modification qualifies as a TDR and requires that creditors must determine that a concession has been made and the borrower is having financial difficulties. We adopted this guidance as of May 1, 2011. We did not identify any new TDRs attributable to this new guidance and it did not have a material effect on our condensed consolidated financial statements.

In October 2009, the FASB issued Accounting Standards Update 2009-13, "Revenue Recognition (Topic 605) — Multiple-Deliverable Revenue Arrangements." 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 new multiple-deliverable revenue arrangements. We adopted this guidance as of May 1, 2011 and it did not have a material effect on our condensed consolidated financial statements.

In December 2010, the FASB issued Accounting Standards Update 2010-28, "Intangibles — Goodwill and Other (Topic 350): When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts." The amendments affect reporting units whose carrying amount is zero or negative, and require performance of Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that a goodwill impairment exists, a reporting unit would consider whether there are any adverse qualitative factors indicating that an impairment may exist. The qualitative factors are consistent with existing guidance. The reporting unit would evaluate if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. We adopted this guidance as of May 1, 2011 and it did not have a material effect on our condensed consolidated financial statements.

In December 2010, the FASB issued Accounting Standards Update 2010-29, "Business Combinations (Topic 805): Disclosure of Supplementary Pro Forma Information for Business Combinations." The amendments in this guidance specify that if a public entity presents comparative financial statements, the entity would disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. Additionally, disclosures should be accompanied by a narrative description about the nature and amount of material, nonrecurring pro forma adjustments. We adopted this guidance as of May 1, 2011 and it did not have a material effect on our condensed consolidated financial statements.

15. Condensed Consolidating Financial Statements

Block Financial LLC (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 Statements of Operations					(in 000s)
Three Months Ended July 31, 2011	H&R Block, Inc. (Guarantor)	BFC (Issuer)	Other Subsidiaries	Elims	Consolidated H&R Block
Total revenues	$ –	$ 21,773	$ 245,861	$ –	$ 267,634
Cost of revenues	–	37,662	319,338	–	357,000
Selling, general and administrative	–	7,895	199,968	–	207,863
Total expenses	–	45,557	519,306	–	564,863
Operating loss	–	(23,784)	(273,445)	–	(297,229)
Other income (expense), net	(293,142)	3,281	806	293,142	4,087
Loss from continuing operations before tax benefit	(293,142)	(20,503)	(272,639)	293,142	(293,142)
Income tax benefit	(119,699)	(1,850)	(117,849)	119,699	(119,699)
Net loss from continuing operations	(173,443)	(18,653)	(154,790)	173,443	(173,443)
Net loss from discontinued operations	(1,655)	(1,637)	(18)	1,655	(1,655)
Net loss	$ (175,098)	$ (20,290)	$ (154,808)	$ 175,098	$ (175,098)

Three Months Ended July 31, 2010	H&R Block, Inc. (Guarantor)	BFC (Issuer)	Other Subsidiaries	Elims	Consolidated H&R Block
Total revenues	$ –	$ 21,000	$ 253,474	$ –	$ 274,474
Cost of revenues	–	39,028	328,988	–	368,016
Selling, general and administrative	–	2,090	114,939	–	117,029
Total expenses	–	41,118	443,927	–	485,045
Operating loss	–	(20,118)	(190,453)	–	(210,571)
Other income (expense), net	(207,317)	382	2,872	207,317	3,254
Loss from continuing operations before tax benefit	(207,317)	(19,736)	(187,581)	207,317	(207,317)
Income tax benefit	(79,679)	(7,841)	(71,838)	79,679	(79,679)
Net loss from continuing operations	(127,638)	(11,895)	(115,743)	127,638	(127,638)
Net loss from discontinued operations	(3,043)	(3,004)	(39)	3,043	(3,043)
Net loss	$ (130,681)	$(14,899)	$ (115,782)	$130,681	$ (130,681)

Condensed Consolidating Balance Sheets					(in 000s)
July 31, 2011	H&R Block, Inc. (Guarantor)	BFC (Issuer)	Other Subsidiaries	Elims	Consolidated H&R Block
Cash & cash equivalents	$ –	$ 413,141	$ 599,595	$ (27)	$ 1,012,709
Cash & cash equivalents – restricted	–	849	43,553	–	44,402
Receivables, net	–	224,573	104,815	–	329,388
Mortgage loans held for investment	–	466,663	–	–	466,663
Intangible assets and goodwill, net	–	–	1,102,646	–	1,102,646
Investments in subsidiaries	2,478,748	–	94	(2,478,748)	94
Other assets	12,474	299,379	1,040,297	–	1,352,150
Total assets	$ 2,491,222	$1,404,605	$ 2,891,000	$(2,478,775)	$ 4,308,052
Customer deposits	$ –	$ 666,295	$ –	$ (27)	$ 666,268
Long-term debt	–	999,055	20,376	–	1,019,431
FHLB borrowings	–	25,000	–	–	25,000
Other liabilities	214	(132,742)	1,496,004	–	1,363,476
Net intercompany advances	1,257,131	40,201	(1,297,332)	–	–
Stockholders' equity	1,233,877	(193,204)	2,671,952	(2,478,748)	1,233,877
Total liabilities and stockholders' equity	$ 2,491,222	$1,404,605	$ 2,891,000	$(2,478,775)	$ 4,308,052

April 30, 2011	H&R Block, Inc. (Guarantor)	BFC (Issuer)	Other Subsidiaries	Elims	Consolidated H&R Block
Cash & cash equivalents	$ –	$ 616,238	$ 1,061,656	$ (50)	$ 1,677,844
Cash & cash equivalents – restricted	–	9,522	38,861	–	48,383
Receivables, net	88	102,011	390,191	–	492,290
Mortgage loans held for investment, net	–	485,008	–	–	485,008
Intangible assets and goodwill, net	–	–	1,214,164	–	1,214,164
Investments in subsidiaries	2,699,555	–	32	(2,699,555)	32
Other assets	13,613	469,461	807,166	–	1,290,240
Total assets	$ 2,713,256	$1,682,240	$ 3,512,070	$(2,699,605)	$ 5,207,961
Customer deposits	$ –	$ 852,270	$ –	$ (50)	$ 852,220
Long-term debt	–	998,965	50,789	–	1,049,754
FHLB borrowings	–	25,000	–	–	25,000
Other liabilities	178	(26,769)	1,858,004	–	1,831,413
Net intercompany advances	1,263,504	24,173	(1,287,677)	–	–
Stockholders' equity	1,449,574	(191,399)	2,890,954	(2,699,555)	1,449,574
Total liabilities and stockholders' equity	$ 2,713,256	$1,682,240	$ 3,512,070	$(2,699,605)	$ 5,207,961

Condensed Consolidating Statements of Cash Flows (in 000s)

Three Months Ended July 31, 2011	H&R Block, Inc. (Guarantor)	BFC (Issuer)	Other Subsidiaries	Elims	Consolidated H&R Block
Net cash provided by (used in) operating activities:	$ 2,048	$ (22,900)	$ (373,697)	$ –	$ (394,549)
Cash flows from investing:					
Purchases of available-for-sale securities	–	(39,275)	–	–	(39,275)
Mortgage loans originated for investment, net	–	11,192	–	–	11,192
Purchase property & equipment	–	(54)	(10,899)	–	(10,953)
Payments made for business acquisitions, net	–	–	(3,457)	–	(3,457)
Proceeds from sale of businesses, net	–	–	21,230	–	21,230
Loans made to franchisees	–	(16,477)	–	–	(16,477)
Repayments from franchisees	–	5,320	–	–	5,320
Net intercompany advances	44,084	–	–	(44,084)	–
Other, net	–	12,031	6,136	–	18,167
Net cash provided by (used in) investing activities	44,084	(27,263)	13,010	(44,084)	(14,253)
Cash flows from financing:					
Customer banking deposits	–	(186,268)	–	23	(186,245)
Dividends paid	(45,894)	–	–	–	(45,894)
Repurchase of common stock	(2,002)	–	–	–	(2,002)
Proceeds from exercise of stock options	1,762	–	–	–	1,762
Net intercompany advances	–	33,312	(77,396)	44,084	–
Other, net	2	22	(24,940)	–	(24,916)
Net cash used in financing activities	(46,132)	(152,934)	(102,336)	44,107	(257,295)
Effects of exchange rates on cash	–	–	962	–	962
Net decrease in cash	–	(203,097)	(462,061)	23	(665,135)
Cash – beginning of period	–	616,238	1,061,656	(50)	1,677,844
Cash – end of period	$ –	$ 413,141	$ 599,595	$ (27)	$ 1,012,709

Three Months Ended July 31, 2010	H&R Block, Inc. (Guarantor)	BFC (Issuer)	Other Subsidiaries	Elims	Consolidated H&R Block
Net cash provided by (used in) operating activities:	$ 22,849	$ (43,301)	$ (327,799)	$ –	$ (348,251)
Cash flows from investing:					
Mortgage loans originated for investment, net	–	17,618	–	–	17,618
Purchase property & equipment	–	–	(8,634)	–	(8,634)
Payments made for business acquisitions, net	–	–	(33,226)	–	(33,226)
Proceeds from sale of businesses, net	–	–	26,387	–	26,387
Loans made to franchisees	–	(33,720)	–	–	(33,720)
Repayments from franchisees	–	6,724	–	–	6,724
Net intercompany advances	188,324	–	–	(188,324)	–
Other, net	–	40,668	(21,820)	–	18,848
Net cash provided by (used in) investing activities	188,324	31,290	(37,293)	(188,324)	(6,003)
Cash flows from financing:					
Customer banking deposits	–	(121,166)	–	(235)	(121,401)
Dividends paid	(48,692)	–	–	–	(48,692)
Repurchase of common stock	(164,369)	–	–	–	(164,369)
Proceeds from exercise of stock options	1,500	–	–	–	1,500
Net intercompany advances	–	35,507	(223,831)	188,324	–
Other, net	388	176	(16,551)	–	(15,987)
Net cash used in financing activities	(211,173)	(85,483)	(240,382)	188,089	(348,949)
Effects of exchange rates on cash	–	–	(2,232)	–	(2,232)
Net decrease in cash	–	(97,494)	(607,706)	(235)	(705,435)
Cash – beginning of period	–	702,021	1,102,135	(111)	1,804,045
Cash – end of period	$ –	$ 604,527	$ 494,429	$ (346)	$ 1,098,610

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

RESULTS OF OPERATIONS

Our subsidiaries provide tax preparation, retail banking and various business advisory and consulting services. We are the only major company offering a full range of software, online and in-office tax preparation solutions to individual tax clients.

RECENT EVENTS

In August 2011, we signed a non-binding letter of intent to sell substantially all assets of RSM McGladrey Business Services, Inc (RSM) to McGladrey & Pullen LLP (M&P) and began an evaluation of strategic alternatives for RSM EquiCo, Inc. (EquiCo). The RSM sale is dependent on, among other factors, the ability of M&P to raise financing for the purchase. We recorded a $99.7 million impairment of goodwill in the first quarter for reporting units in our Business Services segment based on these events. This loss was offset partially by the sale of an ancillary business within the Business Services segment during the quarter which resulted in a $9.9 million gain. On an after-tax basis, the net result of these events is a charge of $53.2 million, or $0.17 per share. These amounts related to the sale of RSM may fluctuate based on adjustments to the purchase price at closing as well as the additional realization of tax benefits related to the sale. M&P will also assume substantially all liabilities, including contingent payments and lease obligations. See discussion in notes 2 and 7 to the condensed consolidated financial statements and in the Business Services segment results below.

TAX SERVICES

This segment primarily consists of our income tax preparation businesses — retail, online and software. This segment includes our tax operations in the U.S. and its territories, Canada, and Australia. Additionally, this segment includes the product offerings and activities of H&R Block Bank (HRB Bank) that primarily support the tax network, refund anticipation checks, our prior participations in refund anticipation loans, and our commercial tax business, which provides tax preparation software to CPAs and other tax preparers.

Tax Services – Operating Results		(in 000s)
Three Months Ended July 31,	2011	2010
Tax preparation fees	$ 34,921	$ 34,545
Fees from Peace of Mind guarantees	27,181	28,547
Fees from Emerald Card activities	11,241	10,575
Royalties	5,703	5,605
Other	12,379	12,373
Total revenues	91,425	91,645
Compensation and benefits:		
Field wages	36,847	39,249
Corporate wages	33,055	35,800
Benefits and other compensation	17,489	34,304
	87,391	109,353
Occupancy and equipment	83,337	82,624
Depreciation and amortization	21,450	22,395
Marketing and advertising	6,721	8,413
Other	62,009	43,484
Total expenses	260,908	266,269
Pretax loss	$(169,483)	$(174,624)

Three months ended July 31, 2011 compared to July 31, 2010

Tax Services' revenues were essentially flat compared to the prior year, as declines in U.S. tax returns prepared were offset by an increase in international tax returns due to the extended filing season in Canada.

Total expenses decreased $5.4 million, or 2.0%, for the three months ended July 31, 2011. Compensation and benefits decreased $22.0 million, or 20.1%, primarily due to severance costs recorded in the prior year. Other expenses increased $18.5 million, or 42.6%, primarily due to incremental legal charges recorded in the current year.

The pretax loss for the three months ended July 31, 2011 and 2010 was $169.5 million and $174.6 million, respectively.

BUSINESS SERVICES

This segment consists of RSM McGladrey, Inc., a national firm offering tax, consulting and accounting services and capital market services to middle-market companies.

Business Services – Operating Results		(in 000s)
Three Months Ended July 31,	2011	2010
Tax services	$ 88,329	$ 81,331
Business consulting	58,111	61,678
Accounting services	3,675	10,842
Capital markets	3,072	2,390
Reimbursed expenses	2,914	6,331
Other	11,162	12,138
Total revenues	167,263	174,710
Compensation and benefits	126,245	127,113
Occupancy	10,719	11,930
Amortization of intangible assets	2,630	2,836
Impairment of goodwill	99,697	—
Other	20,513	33,264
Total expenses	259,804	175,143
Pretax loss	$ (92,541)	$ (433)

Three months ended July 31, 2011 compared to July 31, 2010

Business Services' revenues for the three months ended July 31, 2011 decreased $7.4 million, or 4.3% from the prior year. Tax services revenues increased primarily as a result of the acquisition of Caturano & Company, Inc. Accounting services revenues declined $7.2 million, or 66.1%, primarily due to the sale of an ancillary business during the current quarter.

Total expenses increased $84.7 million, or 48.3%, from the prior year. During the quarter, we recorded goodwill impairments of $85.4 million and $14.3 million in our RSM and EquiCo reporting units, respectively, as discussed in notes 2 and 7 to the condensed consolidated financial statements. This loss was offset partially by the sale of an ancillary business during the quarter which resulted in a $9.9 million gain. On an after-tax basis, the net result of these events is a charge of $53.2 million, or $0.17 per share.

The pretax loss for the three months ended July 31, 2011 was $92.5 million compared to $0.4 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.

Corporate – Operating Results		(in 000s)
Three Months Ended July 31,	2011	2010
Interest income on mortgage loans held for investment, net	$ 5,661	$ 6,323
Other	3,285	1,796
Total revenues	8,946	8,119
Interest expense	21,018	20,788
Compensation and benefits	6,765	5,071
Provision for loan losses	5,625	8,000
Other	6,656	6,520
Total expenses	40,064	40,379
Pretax loss	$(31,118)	$(32,260)

Three months ended July 31, 2011 compared to July 31, 2010

Results of our corporate operations were essentially flat compared to the prior year.

Income Taxes

Our effective tax rate for continuing operations was 40.8% and 38.4% for the three months ended July 31, 2011 and 2010, respectively. This increase resulted from losses in our investments in company-owned life insurance assets for which we do not receive a tax benefit, and an increase in the state effective tax rate. This increase was partially offset by a decrease in our reserve for uncertain tax positions.

Discontinued Operations

Sand Canyon Corporation ("SCC", previously known as Option One Mortgage Corporation) ceased originating mortgage loans in December of 2007 and, in April 2008, sold its servicing assets and discontinued its remaining operations. The sale of servicing assets did not include the sale of any mortgage loans. SCC retained contingent liabilities that arose from the operations of SCC prior to its disposal, including certain mortgage loan repurchase obligations, contingent liabilities associated with litigation and related claims, lease commitments, and employee termination benefits. SCC also retained residual interests in certain mortgage loan securitization transactions prior to cessation of its origination business. The net loss from discontinued operations totaled $1.7 million and $3.0 million for the three months ended July 31, 2011 and 2010, respectively.

In connection with the securitization and sale of mortgage loans, SCC made certain representations and warranties. In the event that there is a breach of a representation and warranty and such breach materially and adversely affects the value of a mortgage loan, SCC may be obligated to repurchase a loan or otherwise indemnify certain parties for losses resulting from a liquidation of loan collateral.

SCC has recorded a liability for estimated contingent losses related to representation and warranty claims as of July 31, 2011, of $125.8 million, which represents SCC's best estimate of the probable loss that may occur. Losses on valid claims totaled $0.5 million and $0.1 million for the three months ended July 31, 2011 and 2010, respectively. These amounts were recorded as reductions of our loan repurchase liability.

While SCC uses the best information available to it in estimating its liability, assessing the likelihood that claims will be asserted in the future and estimating probable losses is inherently difficult and requires considerable management judgment. Although net losses on settled claims since May 1, 2008 have been within initial loss estimates, to the extent that the volume of asserted claims, the level of valid claims, the counterparties asserting claims, the nature of claims, or the value of residential home prices differ in the future from current estimates, future losses may be greater than the current estimates and those differences may be significant. See additional discussion in note 11 to the condensed consolidated financial statements.

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, cash from customer deposits, issuances of common stock and debt. We use capital primarily to fund working capital, pay dividends, repurchase shares of common stock 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 unsecured committed lines of credit (CLOCs), we believe, that in the absence of any unexpected developments, our existing sources of capital at July 31, 2011 are sufficient to meet our operating needs.

CASH FROM OPERATING ACTIVITIES – Cash used in operations totaled $394.5 million for the first three months of fiscal year 2012, compared with $348.3 million for the same period last year.

CASH FROM INVESTING ACTIVITIES – Cash used in investing activities totaled $14.3 million for the first three months of fiscal year 2012, compared to $6.0 million in the same period last year.

Purchases of Available-for-Sale Securities. During the three months ended July 31, 2011, HRB Bank purchased $39.3 million in mortgage-backed securities. No such purchases were made in the first quarter of the prior year.

Mortgage Loans Held for Investment. We received net payments of $11.2 million and $17.6 million on our mortgage loans held for investment for the first three months of fiscal years 2012 and 2011, 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 $11.0 million and $8.6 million for the first three months of fiscal years 2012 and 2011, respectively.

Business Acquisitions. Total cash paid for acquisitions was $3.5 million and $33.2 million during the three months ended July 31, 2011 and 2010, respectively. In July 2010 our Business Services segment acquired a Boston-based accounting firm, and cash used in investing activities includes payments totaling $32.6 million related to this acquisition.

In October 2010, we signed a definitive merger agreement to acquire all of the outstanding shares of 2SS Holdings, Inc. (2SS), developer of TaxACT digital tax preparation solutions, for $287.5 million in cash. Completion of the transaction is subject to the satisfaction of customary closing conditions, including regulatory approval. In May 2011, the United States Department of Justice (DOJ) filed a civil antitrust lawsuit to block our proposed acquisition of 2SS, and a preliminary hearing on this matter has been set for September 6, 2011. There are no assurances that the DOJ's lawsuit will be resolved in our favor or that the transaction will be consummated.

Sales of Businesses. Proceeds from the sales of businesses totaled $21.2 million and $26.4 million for the three months ended July 31, 2011 and 2010, respectively. During the first quarter of fiscal year 2012, our Business Services segment sold one of their ancillary businesses for $20.3 million. During the first three months of fiscal year 2011, we sold 127 tax offices to franchisees. The majority of these sales were financed through affiliate loans.

Loans Made to Franchisees. Loans made to franchisees totaled $16.5 million and $33.7 million for the three months ended July 31, 2011 and 2010, respectively. These amounts included both the financing of sales of tax offices and franchisee draws under our Franchise Equity Lines of Credit (FELCs).

CASH FROM FINANCING ACTIVITIES – Cash used in financing activities totaled $257.3 million for the first three months of fiscal year 2012, compared to $348.9 million in the same period last year.

Customer Banking Deposits. Customer banking deposits declined $186.2 million for the three months ended July 31, 2011 compared to $121.4 million in the prior year due to seasonal fluctuations in prepaid debit card deposits.

Dividends. We have consistently paid quarterly dividends. Dividends paid totaled $45.9 million and $48.7 million for the three months ended July 31, 2011 and 2010, respectively.

Repurchase and Retirement of Common Stock. During the prior year, we purchased and immediately retired 15.5 million shares of our common stock at a cost of $235.7 million. Cash payments of $161.0 million were made during the three months ended July 31, 2010 for the share purchases with settlement of the remaining $74.7 million occurring in August 2010. We expect to continue to repurchase and retire common stock or retire treasury stock in the future.

Issuances of Common Stock. Proceeds from the issuance of common stock totaled $1.8 million for the three months ended July 31, 2011 compared to $1.5 million in the prior year, and is related to stock option exercises and the related tax benefits.

BORROWINGS

The following chart provides the debt ratings for Block Financial LLC (BFC) as of July 31, 2011:

	Short-term	Long-term	Outlook
Moody's	P-2	Baa2	Negative(1)
S&P	A-2	BBB	Negative
DBRS	R-2 (high)	BBB (high)	Stable

(1) In August 2011, the outlook was changed to "Stable."

At July 31, 2011, we maintained a CLOC agreement to support commercial paper issuances, general corporate purposes or for working capital needs. This facility provides funding up to $1.7 billion and matures July 31, 2013. This facility bears interest at an annual rate of LIBOR plus 1.30% to 2.80% or PRIME plus 0.30% to 1.80% (depending on the type of borrowing) and includes an annual facility fee of 0.20% to 0.70% 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"). At July 31, 2011, we were in compliance with these covenants and had net worth of $1.2 billion. We had no balance outstanding under the CLOCs at July 31, 2011.

There have been no material changes in our borrowings or debt ratings from those reported at April 30, 2011 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, 2011 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, 2011 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, 2011 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 (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)). 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

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 and HRB remain subject to investigations, claims and lawsuits pertaining to SCC's mortgage business activities that occurred prior to such termination and sale. These investigations, claims and

lawsuits include actions by state and federal regulators, municipalities, third party indemnitees, 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, fraud, rights to indemnification, and violations of securities laws, the Truth in Lending Act, Equal Credit Opportunity Act and the Fair Housing Act. Given the non-prime mortgage environment, the number of these investigations, claims and lawsuits has increased over historical experience and is likely to continue to increase. The amounts claimed in these investigations, claims and lawsuits are substantial in some instances, and the ultimate resulting liability is difficult to predict and thus cannot be reasonably estimated. In the event of unfavorable outcomes, the amounts that may be required to be paid in the discharge of liabilities or settlements could be substantial and could have a material 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) styled *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. To avoid the cost and inherent risk associated with litigation, the parties have reached an agreement to settle this case. The settlement requires a cash payment from SCC to the Attorney General of $9.8 million, in addition to certain loan modification relief to Massachusetts borrowers estimated at $115 million in benefits. The agreement also provides for a contingent cash payment of up to $5 million in the event certain loan modification relief is not available. We have a liability recorded for our best estimate of the expected loss. We do not believe losses in excess of our accrual would be material to our financial statements, although it is possible that our losses could exceed the amount we have accrued.

On February 1, 2008, a class action lawsuit was filed in the United States District Court for the District of Massachusetts against SCC and other related entities styled *Cecil Barrett, et al. v. Option One Mortgage Corp., et al.* (Civil Action No. 08-10157-RWZ). Plaintiffs allege discriminatory practices relating to the origination of mortgage loans in violation of the Fair Housing Act and Equal Credit Opportunity Act, and seek declaratory and injunctive relief in addition to actual and punitive damages. The court dismissed H&R Block, Inc. from the lawsuit for lack of personal jurisdiction. In March 2011, the court issued an order certifying a class, which defendants sought to appeal. On August 24, 2011, the First Circuit Court of Appeals declined to hear the appeal, noting that the district court could reconsider its certification decision in light of a recent ruling by the United States Supreme Court in an unrelated matter. We do not believe losses in excess of our accrual would be material to our financial statements, although it is possible that our losses could exceed the amount we have accrued. We believe we have meritorious defenses to the claims in this case and intend to defend the case vigorously, but there can be no assurances as to its outcome or its impact on our consolidated results of operations.

On December 9, 2009, a putative class action lawsuit was filed in the United States District Court for the Central District of California against SCC and H&R Block, Inc. styled *Jeanne Drake, et al. v. Option One Mortgage Corp., et al.* (Case No. SACV09-1450 CJC). Plaintiffs allege breach of contract, promissory fraud, intentional interference with contractual relations, wrongful withholding of wages and unfair business practices in connection with the failure to pay severance benefits to employees when their employment transitioned to American Home Mortgage Servicing, Inc. in connection with the sale of certain assets and operations of Option One. Plaintiffs seek to recover severance benefits of approximately $8 million, interest and attorney's fees, in addition to penalties and punitive damages on certain claims. Plaintiffs' motion for class certification is pending. All parties have filed motions for summary judgment. The court has set a hearing on all pending motions on August 29, 2011. We have not concluded that a loss related to this matter is probable nor have we established a loss contingency related to this matter. We believe we have meritorious defenses to the claims in this case and intend to defend the case vigorously, but there can be no assurances as to its outcome or its impact on our consolidated results of operations.

On October 15, 2010, the Federal Home Loan Bank of Chicago filed a lawsuit in the Circuit Court of Cook County, Illinois (Case No. 10CH45033) styled *Federal Home Loan Bank of Chicago v. Bank of America Funding Corporation, et al*. against multiple defendants, including various SCC related entities and H&R Block, Inc. related entities, arising out of Federal Home Loan Bank's (FHLB's) purchase of mortgage-backed securities. Plaintiff asserts claims for rescission and damages under state securities law and for common law negligent misrepresentation in connection with its purchase of two securities originated and securitized by SCC. These two securities had a total initial principal amount of approximately $50 million, of which approximately $42 million remains outstanding. We have not concluded that a loss related to this matter is probable nor have we established a loss contingency related to this matter. We believe the claims in this case are without merit and we intend to defend them vigorously. There can be no assurances, however, as to its outcome or its impact on our consolidated results of operations.

Employment-Related Claims and Litigation

We have been named in several wage and hour class action lawsuits throughout the country, including *Alice Williams v. H&R Block Enterprises LLC*, Case No.RG08366506 (Superior Court of California, County of Alameda, filed January 17, 2008) (alleging improper classification of office managers in California); *Arabella Lemus v. H&R Block Enterprises LLC, et al.,* Case No. CGC-09-489251 (United States District Court, Northern District of California, filed June 9, 2009) (alleging failure to timely pay compensation to tax professionals in California and to include itemized information on wage statements); *Delana Ugas v. H&R Block Enterprises LLC, et al.,* Case No. BC417700 (United States District Court, Central District of California, filed July 13, 2009) (alleging failure to compensate tax professionals in California for all hours worked and to provide meal periods); and *Barbara Petroski v. H&R Block Eastern Enterprises, Inc., et al.,* Case No. 10-CV-00075 (United States District Court, Western District of Missouri, filed January 25, 2010) (alleging failure to compensate tax professionals nationwide for off-season training). A class was certified in the *Lemus* case in December 2010 (consisting of tax professionals who worked in company-owned offices in California from 2007 to 2010); in the *Williams* case in March 2011 (consisting of office managers who worked in company-owned offices in California from 2004 to 2011); and in the *Ugas* case in August 2011 (consisting of tax professionals who worked in company-owned offices in California from 2006 to 2011). A conditional class was certified in the *Petroski* case in March 2011 (consisting of tax professionals nationwide who worked in company-owned offices and who were not compensated for certain training courses occurring on or after April 15, 2007).

The plaintiffs in the wage and hour class action lawsuits seek actual damages, pre-judgment interest and attorneys' fees, in addition to statutory penalties under California and federal law, which could equal up to 30 days of wages per tax season for class members who worked in California. A portion of our loss contingency accrual is related to these lawsuits for the amount of loss that we consider probable and estimable. For those wage and hour class action lawsuits for which we are able to estimate a range of possible loss, the current estimated range is $0 to $70 million in excess of the accrued liability related to those matters. This estimated range of possible loss is based upon currently available information and is subject to significant judgment and a variety of assumptions and uncertainties. The matters underlying the estimated range will change from time to time, and actual results may vary significantly from the current estimate. Because this estimated range does not include matters for which an estimate is not possible, the range does not represent our maximum loss exposure for the wage and hour class action lawsuits. We believe we have meritorious defenses to the claims in these lawsuits and intend to defend them vigorously. The amounts claimed in these matters are substantial in some instances and the ultimate liability with respect to these matters is difficult to predict. There can be no assurances as to the outcome of these cases or their impact on our consolidated results of operations, individually or in the aggregate.

RAL Litigation

We have been named in multiple lawsuits as defendants in litigation regarding our refund anticipation loan program in past years. All of those lawsuits have been settled or otherwise resolved, except for one.

The sole remaining case is a putative class action styled *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 allege inadequate disclosures with respect to the RAL product and assert claims for violation of consumer protection statutes, negligent misrepresentation, breach of fiduciary duty, common law fraud, usury, and violation of the Truth In Lending

Act. 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. An appellate court subsequently reversed the decertification decision. We are appealing the reversal. We have not concluded that a loss related to this matter is probable nor have we accrued a loss contingency related to this matter. Plaintiffs have not provided a dollar amount of their claim and we are not able to estimate a possible range of loss. 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.

Express IRA Litigation

We have been named defendants in lawsuits regarding our former Express IRA product. All of those lawsuits have been settled or otherwise resolved, except for one.

The one remaining case was filed on January 2, 2008 by the Mississippi Attorney General in the Chancery Court of Hinds County, Mississippi First Judicial District (Case No. G 2008 6 S 2) and is styled *Jim Hood, Attorney for the State of Mississippi v. H&R Block, Inc., H&R Block Financial Advisors, 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 sale of the product in Mississippi and seeks equitable relief, disgorgement of profits, damages and restitution, civil penalties and punitive damages. We are not able to estimate a possible range of loss. 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.

Although we sold H&R Block Financial Advisors, Inc. (HRBFA) effective November 1, 2008, we remain responsible for any liabilities relating to the Express IRA litigation, among other things, through an indemnification agreement. A portion of our accrual is related to these indemnity obligations.

RSM McGladrey Litigation

EquiCo, its parent and certain of its subsidiaries and affiliates, are parties to a class action filed on July 11, 2006 and styled *Do Right's Plant Growers, et al. v. RSM EquiCo, Inc., et al. (the "RSM Parties"),* Case No. 06 CC00137, in the California Superior Court, Orange County. The complaint contains allegations relating to business valuation services provided by EquiCo, including allegations of fraud, conversion 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. To avoid the cost and inherent risk associated with litigation, the parties reached an agreement to settle the case, subject to approval by the California Superior Court. The settlement requires a maximum payment of $41.5 million, although the actual cost of the settlement will depend on the number of valid claims submitted by class members. The California Superior Court preliminarily approved the settlement on July 29, 2011. A final approval hearing is set for October 20, 2011. The defendants believe they have meritorious defenses to the claims in this case and, if for any reason the settlement is not approved, they will continue to defend the case vigorously. Although we have a liability recorded for expected losses, there can be no assurance regarding the outcome of this matter.

On December 7, 2009, a lawsuit was filed in the Circuit Court of Cook County, Illinois (2010-L-014920) against M&P, RSM and H&R Block styled *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 (Case No. 1:10-CV-00274). The complaint, which was filed by the trustee for certain bankrupt investment funds, seeks unspecified damages and asserts claims against RSM for vicarious liability and alter ego liability and against H&R Block for equitable restitution relating to audit work performed by M&P. The amount claimed in this case is substantial. On November 3, 2010, the court dismissed the case against all defendants in its entirety with prejudice. The trustee has filed an appeal to the Seventh Circuit Court of Appeals with respect to the claims against M&P and RSM. No claims remain against H&R Block.

RSM and M&P operate in an alternative practice structure ("APS"). 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 that 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 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.

Other

In October 2010, we signed a definitive merger agreement to acquire all of the outstanding shares of 2SS Holdings, Inc. ("2SS"), developer of TaxACT digital tax preparation solutions, for $287.5 million in cash. In May 2011, the United States Department of Justice (DOJ) filed a civil antitrust lawsuit in the U.S. district court in Washington, D.C., (Case No. 1:11-cv-00948) against H&R Block and 2SS styled *United States v. H&R Block, Inc., 2SS Holdings, Inc., and TA IX L.P.,* to block our proposed acquisition of 2SS. A preliminary injunction hearing is set to occur in September 2011. There are no assurances that the DOJ's lawsuit will be resolved in our favor or that the transaction will be consummated.

In addition, 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. 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 impact on our consolidated results of operations.

We are also 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 impact on our consolidated results of operations.

ITEM 1A. RISK FACTORS

There have been no material changes in our risk factors from those reported at April 30, 2011 in our Annual Report on Form 10-K.

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

A summary of our purchases of H&R Block common stock during the first quarter of fiscal year 2012 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
May 1 – May 31	2	$ 17.16	–	$ 1,371,957
June 1 – June 30	14	$ 17.23	–	$ 1,371,957
July 1 – July 31	106	$ 16.31	–	$ 1,371,957

(1) We purchased the above 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 6. EXHIBITS

10.1*	Form of 2003 Long-Term Executive Compensation Plan Award Agreement for Restricted Shares.
10.2*	Form of 2003 Long-Term Executive Compensation Plan Award Agreement for Stock Options.
10.3*	Form of 2003 Long-Term Executive Compensation Plan Award Agreement for Performance Shares.
10.4*	Grant Agreement between H&R Block, Inc. and William C. Cobb in connection with award of Restricted Shares as of May 2, 2011.
10.5*	Grant Agreement between H&R Block, Inc. and William C. Cobb in connection with award of Stock Options as of May 2, 2011.
10.6	Amendment to Agreement and Plan of Merger dated June 21, 2011, among H&R Block, Inc., HRB Island Acquisition, Inc., 2SS Holdings, Inc., TA Associates Management, L.P. and Lance Dunn, filed as Exhibit 10.34 to the company's annual report on Form 10-K for the fiscal year ended April 30, 2011, file number 1-6089, is incorporated herein by reference.
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
101.REF	XBRL Taxonomy Extension Reference Linkbase

* Indicates management contracts, compensatory plans or arrangements.

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.

William C. Cobb
President and Chief Executive Officer
September 1, 2011

Jeffrey T. Brown
Senior Vice President and
Chief Financial Officer
September 1, 2011

Colby R. Brown
Vice President and
Corporate Controller
September 1, 2011

H&R BLOCK, INC.
2003 LONG-TERM EXECUTIVE COMPENSATION PLAN
GRANT AGREEMENT

This Grant Agreement is entered into by and between H&R Block, Inc., a Missouri corporation (the "**Company**"), and [Participant Name] ("Participant").

WHEREAS, the Company provides certain incentive awards to key employees of subsidiaries of the Company under the H&R Block, Inc. 2003 Long-Term Executive Compensation Plan (the "Plan");

WHEREAS, receipt of such Awards under the Plan are conditioned upon a Participant's execution of a Grant Agreement within 180 days of [Grant Date], wherein Participant agrees to abide by certain terms and conditions authorized by the Compensation Committee of the Board of Directors;

WHEREAS, the Participant has been selected by the Compensation Committee or the Chief Executive Officer of the Company as a key employee of one of the subsidiaries of the Company and is eligible to receive Awards under the Plan.

NOW THEREFORE, in consideration of the parties' promises and agreements set forth in this Grant Agreement, the sufficiency of which the parties hereby acknowledge,

IT IS AGREED AS FOLLOWS:

1. Definitions. Whenever a term is used in this Agreement or an Award Certificate issued under the Plan, the following words and phrases shall have the meanings set forth below unless the context plainly requires a different meaning, and when a defined meaning is intended, the term is capitalized.

1.1 Amount of Gain Realized. The Amount of Gain Realized shall be equal to the number of Shares delivered to the Participant multiplied by the Fair Market Value (FMV) of one Share of the Company's Common Stock on the date the Shares were no longer considered to be held by the Company.

1.2 Change of Control. Change of Control means the occurrence of one or more of the following events:

(a) Any one person, or more than one person acting as a group, acquires ownership of stock of the Company that, together with stock held by such person or group, constitutes more than 50 percent of the total fair market value or total voting power of the stock of the Company. If any one person, or more than one person acting as a group, is considered to own more than 50 percent of the total fair market value or total voting power of the stock of the Company, the acquisition of additional stock by the same person or persons shall not be considered to cause a change in the ownership of the corporation. An increase in the percentage of stock owned by any one person, or persons acting as a group, as a result of a transaction in which the Company acquires

its stock in exchange for property will be treated as an acquisition of stock for purposes of this Section 1.2(a).

(b) Any one person, or more than one person acting as a group, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) ownership of stock of the Company possessing 35 percent or more of the total voting power of the stock of the Company. If any one person, or more than one person acting as a group, is considered to effectively control a corporation within the meaning of Treasury Regulation §1.409A-3(i)(5)(vi), the acquisition of additional control of the corporation by the same person or persons is not considered to cause a change in the effective control of the corporation.

(c) A majority of members of the Company's Board of Directors (the "Board") is replaced during any 12-month period by directors whose appointment or election is not endorsed by two-thirds (2/3) of the members of the Board before the date of such appointment or election.

(d) Any one person, or more than one person acting as a group, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) assets from the Company that have a total gross fair market value equal to or more than 50 percent of the total gross fair market value of all of the assets of the Company immediately before such acquisition or acquisitions. For this purpose, gross fair market value means the value of the assets of the Company, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets. Notwithstanding the foregoing, there is no Change in Control event under this Section 1.2(d) when there is a transfer to an entity that is controlled by the shareholders of the Company immediately after the transfer. A transfer of assets by the Company is not treated as a change in the ownership of such assets if the assets are transferred to: (i) a shareholder of the Company (immediately before the asset transfer) in exchange for or with respect to its stock; (ii) an entity, 50 percent or more of the total value or voting power of which is owned, directly or indirectly, by the Company; (iii) a person, or more than one person acting as a group, that owns, directly or indirectly, 50 percent or more of the total value or voting power of all the outstanding stock of the Company; or (iv) an entity, at least 50 percent of the total value or voting power of which is owned, directly or indirectly, by a person described in (iii) above.

For purposes of the foregoing, persons will be considered acting as a group in accordance with Sections 13(d)(3) and 14(d)(2) of the Securities Exchange Act of 1934, as amended, and Section 409A of the Code.

1.3 Code. Code means the Internal Revenue Code of 1986, as amended.

1.4 Committee. Committee means the Compensation Committee of the Board of Directors for H&R Block, Inc.

1.5 Common Stock. Common Stock means the common stock, without par value, of the Company.

1.6 Company. Company means H&R Block, Inc., a Missouri corporation, and, unless the context otherwise requires, includes its "subsidiary corporations" (as defined in Section 424(f) of the Internal Revenue Code) and their respective divisions, departments and subsidiaries and the respective divisions, departments and subsidiaries of such subsidiaries.

1.7 Closing Price. Closing Price shall mean the last reported market price for one share of Common Stock, regular way, on the New York Stock Exchange (or any successor exchange or stock market on which such last reported market price is reported) on the day in question. In the event the exchange is closed on the day on which Closing Price is to be determined or if there were no sales reported on such date, Closing Price shall be computed as of the last date preceding such date on which the exchange was open and a sale was reported.

1.8 Disability. Disability or disabled shall be as defined in the employment practices or policies of the applicable subsidiary of the Company in effect from time to time during the term hereof or, absent such definition, then as defined in the H&R Block Retirement Savings Plan or any successor plan thereto.

1.9 Fair Market Value. Fair Market Value ("FMV") means the Closing Price for one share of H&R Block, Inc. Stock.

1.10 Last Day of Employment. Last Day of Employment means the date the Participant ceases for whatever reason to be an employee and is not immediately thereafter and continuously employed as a regular active employee by any other direct or indirect subsidiary of the Company

1.11 Line of Business. Line of Business of the Company means any line of business of the subsidiary of the Company by which Participant was employed as of the Last Day of Employment, as well as any one or more lines of business of any other subsidiary of the Company by which Participant was employed during the two-year period preceding the Last Day of Employment, *provided that*, if Participant's employment was, as of the Last Day of Employment or during the two-year period immediately prior to the Last Day of Employment, with H&R Block Management, LLC or any successor entity thereto, "Line of Business of the Company" shall mean any lines of business of the Company and all of its subsidiaries.

1.12 Qualifying Termination. Qualifying Termination shall mean Participant's termination of employment which meets the definition of a "Qualifying Termination" under a written severance plan sponsored by the Company or a subsidiary of the Company. In the event that no written severance plan exists for the Participant's subsidiary, the definition of "Qualifying Termination" contained in any applicable severance plan for the Company will govern.

1.13 Restricted Shares. Restricted Share ("Shares") means a share of Common Stock issued to a Participant under the Plan subject to such terms and conditions, including without limitation, forfeiture or resale to the Company, and to

such restrictions against sale, transfer or other disposition, as the Committee may determine at the time of issuance.

1.14 Retirement. Retirement means the Participant's voluntary termination of employment with the Company and each of its subsidiaries, at or after attaining age 65.

2. Restricted Shares.

2.1 Issuance of Shares. As of [Grant Date] (the "Award Date"), the Company shall issue [Number of Shares Granted] [Grant Type] (the "Shares") evidenced by this Grant Agreement to the Participant which shall be held by the Company and subject to the substantial risk of forfeiture.

2.2 Substantial Risk of Forfeiture. Each grant of an Award shall provide that the Shares covered thereby shall be subject to a "substantial risk of forfeiture" within the meaning of Code Section 83 for a period time as designated by Section 2.7, and any such Award may provide for the earlier termination of such risk of forfeiture in the event of change of control of the Company or other similar transaction or event.

2.3 Restrictions on Transfer. During for period the Shares are subject to substantial risk of forfeiture, the Shares shall be held by the Company, or its transfer agent or other designee and shall be subject to restrictions on transfer.

2.4 [RESERVED]

2.5 Requirement of Employment. The Participant must remain in continuous employment of the Company during the period any Shares are subject to substantial risk of forfeiture. Absent an agreement to the contrary, if Participant's employment with the Company should terminate for any reason, other than Retirement, all Shares then held by the Company or its transfer agent or other designee, if any, shall be forfeited by the Participant and Participant authorizes the Company and its stock transfer agent to cause delivery, transfer and conveyance of the Shares to the Company.

2.6 Delivery of Shares. Any Shares to be delivered to the Participant by the Company in accordance with the following Schedule:

Vesting Date	Percent of Shares Subject to Vesting on Such Vesting Date
First Anniversary of the Award Date	33 1/3%
Second Anniversary of the Award Date	33 1/3%
Third Anniversary of the Award Date	33 1/3%

Upon the vesting date, Shares shall be transferred directly into a brokerage account established for the Participant at a financial institution the Committee shall select at its sole discretion (the "Financial Institution") or delivered in certificate form free of restrictions, such method to be selected by the Committee in its sole discretion. The Participant agrees to complete any documentation with the Company or the financial institution that is necessary to affect the transfer of Shares to the financial institution before the delivery will occur.

2.7 Acceleration of Vesting. Notwithstanding Section 2.6, the Participant shall become vested in all or a portion of the Shares awarded under this Grant Agreement on the occurrence of any of the following events; provided that receipt of the benefits set forth in this section 2.7 may be conditioned on the Participant executing a release and separation agreement:

(a) *Change of Control*. In the event the Participant incurs a Qualifying Termination in the 24 months immediately following a Change of Control, as defined in Section 1.2, such Participant shall become 100% vested in all outstanding Shares granted under this Grant Agreement.

(b) *Qualifying Termination*. If a Participant experiences a Qualifying Termination, all or a portion of the then outstanding Shares granted under this Grant Agreement shall vest according to the terms of the applicable severance plan.

(c) *Retirement*. If a Participant retires from employment with any subsidiary of the Company at least one year after the anniversary of the Grant Date, all Shares issued on such Grant Date shall no longer be considered to be held by the Company.

3. Covenants.

3.1 Consideration for Award under the Plan. Participant acknowledges that Participant's agreement to this Section 3 is a key consideration for any Award under the Plan. Participant hereby agrees to abide by the Covenants set forth in Sections 3.2, 3.3, and 3.4.

3.2 Covenant Against Competition. During the period of Participant's employment and for two (2) years after his/her Last Day of Employment, Participant acknowledges and agrees he/she will not engage in, or own or control any interest in, or act as an officer, director or employee of, or consultant, advisor or lender to, any entity that engages in any business that is competitive with the primary business activities of the Company's Tax Services business which are tax preparation, accounting, and small business services.

3.3 Covenant Against Hiring. Participant acknowledges and agrees the he/she will not directly or indirectly recruit, solicit, or hire any Company employee or otherwise induce any such employee to leave the Company's employment during the period of Participant's employment and for one (1) year after his/her Last Day of Employment.

3.4 Covenant Against Solicitation. During the period of Participant's employment and for two (2) years after his/her Last Day of Employment, Participant acknowledges and agrees that he/she will not directly or indirectly solicit or enter into any business transaction of the nature performed by the Company with any Company client for which Participant personally performed services or acquired material information.

3.5 Forfeiture of Rights. Notwithstanding anything herein to the contrary, if Participant violates any provisions of this Section 3, Participant shall forfeit all rights to payments or benefits under the Plan. All Shares held by the Company and subject to forfeiture on such date shall terminate.

3.6 Remedies. Notwithstanding anything herein to the contrary, if Participant violates any provisions of this Section 3, whether prior to, on or after any Settlement of an Award under the Plan, then Participant shall promptly pay to Company an amount equal to the aggregate Amount of Gain Realized by the Participant on all Shares received after a date commencing one year prior to Participant's Last Day of Employment. The Participant shall pay Company within three (3) business days after the date of any written demand by the Company to the Participant.

3.7 Remedies payable in Company's Common Stock or Cash. The Participant shall pay the amounts described in Section 3.6 in the Company's Common Stock or cash.

3.8 Remedies without Prejudice. The remedies provided in this Section 3 shall be without prejudice to the rights of the Company and/or the rights of any one or more of its subsidiaries to recover any losses resulting from the applicable conduct of the Participant and shall be in addition to any other remedies the Company and/or any one or more subsidiaries may have, at law or in equity, resulting from such conduct.

3.9 Survival. Participant's obligations in this Section 3 shall survive and continue beyond settlement of all Awards under the Plan and any termination or expiration of this Agreement for any reason.

4. Transfer Restrictions.

4.1 Transfer Restrictions on Shares. During the period that Shares are held by the Company hereunder for delivery to the Participant, such Shares and the rights and privileges conferred hereby shall not be transferred, assigned, pledged, or hypothecated in any way (whether by operation of law or otherwise) and shall not be subject to sale under execution, attachment or similar process. Upon any attempt, contrary to the terms hereof, to transfer, assign, pledge, hypothecate, or otherwise so dispose of such Shares or any right or privilege conferred hereby, or upon any attempted sale under any execution, attachment, or similar process upon such Shares or the rights and privileges hereby granted, then and in any such event this Agreement and the rights and privileges hereby granted shall immediately terminate. Immediately after such termination, such Shares shall be forfeited by the Participant

and the Participant hereby authorizes the Company and its stock transfer agent to cause the delivery, transfer and conveyance of such Shares to the Company.

4.2 Non-Transferability of Awards Generally. Any Award (including all rights, privileges and benefits conferred under such Award) shall not be transferred, assigned, pledged, or hypothecated in any way (whether by operation of law or otherwise) and shall not be subject to sale under execution, attachment or similar process. Upon any attempt to transfer, assign, pledge, hypothecate, or otherwise dispose of any Award, or of any right or privilege conferred hereby, contrary to the provisions hereof, or upon any attempted sale under any execution, attachment, or similar process upon the rights and privileges hereby granted, then and in any such event such Award and the rights and privileges hereby granted shall immediately become null and void.

5. Miscellaneous.

5.1 No Employment Contract. This Agreement does not confer on the Participant any right to continued employment for any period of time, is not an employment contract, and shall not in any manner modify any effective contract of employment between the Participant and any subsidiary of the Company.

5.2 Clawback for Negligence or Misconduct. If the Committee determines that the Participant has engaged in negligence or intentional misconduct that results in a significant restatement of the Company's financial results and a resulting overpayment in compensation or Awards under this Plan, the Committee may require reimbursement of any portion of the Amount of Gain Realized from such Awards where such Awards were greater than the Awards would have been if calculated on the restated financial results.

5.3 Adjustment of Shares. If there shall be any change in the capital structure of the Company, including but not limited to a change in the number or kind of the outstanding shares of the Common Stock resulting from a stock dividend or split-up, or combination or reclassification of such shares (or of any stock or other securities into which shares shall have been changed, or for which they shall have been exchanged), then the Board of Directors of the Company may make such equitable adjustments with respect to the Shares, or any other provisions of the Plan, as it deems necessary or appropriate to prevent dilution or enlargement of the Stock Option rights hereunder or of the shares subject to this Grant Agreement.

5.4 Merger, Consolidation, Reorganization, Liquidation, etc. If the Company shall become a party to any corporate merger, consolidation, major acquisition of property for stock, reorganization, or liquidation, the Board of Directors shall, acting in its absolute and sole discretion, make such arrangements, which shall be binding upon the Participant of outstanding Awards, including but not limited to, the substitution of new Awards or for any Awards then outstanding, the assumption of any such Awards and the termination of or payment for such Awards.

5.5 Interpretation and Regulations. The Board of Directors of the Company shall have the power to provide regulations for administration of the Plan by the Committee and to make any changes in such guidelines as from time to time the Board may deem necessary. The Committee shall have the sole power to determine, solely for purposes of the Plan and this Agreement, the date of and circumstances which shall constitute a cessation or termination of employment and whether such cessation or termination is the result of retirement, death, disability or termination without cause or any other reason, and further to determine, solely for purposes of the Plan and this Agreement, what constitutes continuous employment with respect to the delivery of Shares under the Grant Agreement (except that leaves of absence approved by the Committee or transfers of employment among the subsidiaries of the Company shall not be considered an interruption of continuous employment for any purpose under the Plan).

5.6 Reservation of Rights. If at any time counsel for the Company determines that qualification of the Shares under any state or federal securities law, or the consent or approval of any governmental regulatory authority, is necessary or desirable as a condition of the executing an Award or benefit under the Plan, then such action may not be taken, in whole or in part, unless and until such qualification, registration, consent or approval shall have been effected or obtained free of any conditions such counsel deems unacceptable.

5.7 Reasonableness of Restrictions, Severability and Court Modification. Participant and the Company agree that, the restrictions contained in this Agreement are reasonable, but, should any provision of this Agreement be determined by a court of competent jurisdiction to be invalid, illegal or otherwise unenforceable or unreasonable in scope, the validity, legality and enforceability of the other provisions of this Agreement will not be affected thereby, and the provision found invalid, illegal, or otherwise unenforceable or unreasonable will be considered by the Company and Participant to be amended as to scope of protection, time or geographic area (or any one of them, as the case may be) in whatever manner is considered reasonable by that court, and, as so amended will be enforced.

5.8 Withholding of Taxes. To the extent that the Company is required to withhold taxes in compliance with any federal, state, local or foreign law in connection with any payment made or benefit realized by a Participant or other person under this Plan, it shall be a condition to the receipt of such payment or the realization of such benefit that the Participant or such other person make arrangements satisfactory to the Company for the payment of all such taxes required to be withheld. At the discretion of the Committee, such arrangements may include relinquishment of a portion of such benefit. In the event the Participant has not made arrangements, the Company shall withhold the amount of such tax obligations from such dividend payment or instruct the Participant's employer to withhold such amount from the Participant's next payment(s) of wages. The Participant authorizes the Company to so instruct the Participant's employer and authorizes the Participant's employer to make such withholdings from payment(s) of wages.

5.9 Waiver. The failure of the Company to enforce at any time any terms, covenants or conditions of this Agreement shall not be construed to be a waiver of such terms, covenants or conditions or of any other provision. Any waiver or modification of the terms, covenants or conditions of this Agreement shall only be effective if reduced to writing and signed by both Participant and an officer of the Company.

5.10 Notices. Any notice to be given to the Company or election to be made under the terms of this Agreement shall be addressed to the Company (Attention: Long-Term Incentive Department) at One H&R Block Way, Kansas City Missouri 64105 or at such other address as the Company may hereafter designate in writing to the Participant. Any notice to be given to the Participant shall be addressed to the Participant at the last address of record with the Company or at such other address as the Participant may hereafter designate in writing to the Company. Any such notice shall be deemed to have been duly given when deposited in the United States mail via regular or certified mail, addressed as aforesaid, postage prepaid.

5.11 Choice of Law. This Grant Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Missouri without reference to principles of conflicts of laws.

5.12 Choice of Forum and Jurisdiction. Participant and Company agree that any proceedings to enforce the obligations and rights under this Grant Agreement must be brought in Missouri District Court located in Jackson County, Missouri, or in the United States District Court for the Western District of Missouri in Kansas City, Missouri. Participant agrees and submits to personal jurisdiction in either court. Participant and Company further agree that this Choice of Forum and Jurisdiction is binding on all matters related to Awards under the Plan and may not be altered or amended by any other arrangement or agreement (including an employment agreement) without the express written consent of Participant and H&R Block, Inc.

5.13 Attorneys Fees. Participant and Company agree that in the event of litigation to enforce the terms and obligations under this Grant Agreement, the party prevailing in any such cause of action will be entitled to reimbursement of reasonable attorney fees.

5.14 Relationship of the Parties. Participant acknowledges that this Grant Agreement is between H&R Block, Inc. and Participant. Participant further acknowledges that H&R Block, Inc. is a holding company and that Participant is not an employee of H&R Block, Inc.

5.15 Headings. The section headings herein are for convenience only and shall not be considered in construing this Agreement.

5.16 Amendment. No amendment, supplement, or waiver to this Agreement is valid or binding unless in writing and signed by both parties.

5.17 Execution of Agreement. This Agreement shall not be enforceable by either party, and Participant shall have no rights with respect to the Long Term

Incentive Award, unless and until it has been (1) signed by Participant and on behalf of the Company by an officer of the Company, *provided that* the signature by such officer of the Company on behalf of the Company may be a facsimile or stamped signature, and (2) returned to the Company.

In consideration of said Award and the mutual covenants contained herein, the parties agree to the terms set forth above.

The parties hereto have executed this Grant Agreement.

Associate Name: [Participant Name]

Date Signed: [Acceptance Date]

H&R BLOCK, INC.
By:

H&R BLOCK, INC.
2003 LONG-TERM EXECUTIVE COMPENSATION PLAN
GRANT AGREEMENT

This Grant Agreement is entered into by and between H&R Block, Inc., a Missouri corporation (the "Company"), and [Participant Name] ("Participant").

WHEREAS, the Company provides certain incentive awards to key employees of subsidiaries of the Company under the H&R Block, Inc. 2003 Long-Term Executive Compensation Plan (the "Plan");

WHEREAS, receipt of such Awards under the Plan are conditioned upon a Participant's execution of a Grant Agreement within 180 days of [Grant Date], wherein Participant agrees to abide by certain terms and conditions authorized by the Compensation Committee of the Board of Directors;

WHEREAS, the Participant has been selected by the Compensation Committee or the Chief Executive Officer of the Company as a key employee of one of the subsidiaries of the Company and is eligible to receive Awards under the Plan.

NOW THEREFORE, in consideration of the parties promises' and agreements set forth in this Grant Agreement, the sufficiency of which the parties hereby acknowledge,

IT IS AGREED AS FOLLOWS:

1. Definitions. Whenever a term is used in this Grant Agreement ("Agreement"), the following words and phrases shall have the meanings set forth below unless the context plainly requires a different meaning, and when a defined meaning is intended, the term is capitalized.

1.1 Amount of Gain Realized. The Amount of Gain Realized shall be equal to the number of shares of Common Stock purchased pursuant to such exercise multiplied by the difference between the FMV of one Share of the Company's Common Stock on the date of exercise and the Option Price.

1.2 Change of Control. Change of Control means the occurrence of one or more of the following events:

(a) Any one person, or more than one person acting as a group, acquires ownership of stock of the Company that, together with stock held by such person or group, constitutes more than 50 percent of the total fair market value or total voting power of the stock of the Company. If any one person, or more than one person acting as a group, is considered to own more than 50 percent of the total fair market value or total voting power of the stock of the Company, the acquisition of additional stock by the same person or persons shall not be considered to cause a change in the ownership of the corporation. An increase in the percentage of stock owned by any one person, or persons acting as a group, as a result of a transaction in which the Company acquires its stock in exchange for property will be treated as an acquisition of stock for purposes of this Section 1.2(a).

(b) Any one person, or more than one person acting as a group, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) ownership of stock of the Company possessing 35 percent or more of the total voting power of the stock of the Company. If any one person, or more than one person acting as a group, is considered to effectively control a corporation within the meaning of Treasury Regulation §1.409A-3(i)(5)(vi), the acquisition of additional control of the corporation by the same person or persons is not considered to cause a change in the effective control of the corporation.

(c) A majority of members of the Company's Board of Directors (the "Board") is replaced during any 12-month period by directors whose appointment or election is not endorsed by two-thirds (2/3) of the members of the Board before the date of such appointment or election.

(d) Any one person, or more than one person acting as a group, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) assets from the Company that have a total gross fair market value equal to or more than 50 percent of the total gross fair market value of all of the assets of the Company immediately before such acquisition or acquisitions. For this purpose, gross fair market value means the value of the assets of the Company, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets. Notwithstanding the foregoing, there is no Change in Control event under this Section 1.2(d) when there is a transfer to an entity that is controlled by the shareholders of the Company immediately after the transfer. A transfer of assets by the Company is not treated as a change in the ownership of such assets if the assets are transferred to: (i) a shareholder of the Company (immediately before the asset transfer) in exchange for or with respect to its stock; (ii) an entity, 50 percent or more of the total value or voting power of which is owned, directly or indirectly, by the Company; (iii) a person, or more than one person acting as a group, that owns, directly or indirectly, 50 percent or more of the total value or voting power of all the outstanding stock of the Company; or (iv) an entity, at least 50 percent of the total value or voting power of which is owned, directly or indirectly, by a person described in (iii) above.

For purposes of the foregoing, persons will be considered acting as a group in accordance with Sections 13(d)(3) and 14(d)(2) of the Securities Exchange Act of 1934, as amended, and Section 409A of the Code.

1.3 Code. Code means the Internal Revenue Code of 1986, as amended.

1.4 Committee. Committee means the Compensation Committee of the Board of Directors for H&R Block, Inc.

1.5 Common Stock. Common Stock means the common stock, without par value, of the Company.

1.6 Company. Company means H&R Block, Inc., a Missouri corporation, and, unless the context otherwise requires, includes its "subsidiary corporations" (as defined in Section 424(f) of the Internal Revenue Code) and their respective divisions, departments and subsidiaries and the respective divisions, departments and subsidiaries of such subsidiaries.

1.7 Closing Price. Closing Price shall mean the last reported market price for one share of Common Stock, regular way, on the New York Stock Exchange (or any successor exchange or stock market on which such last reported market price is reported) on the day in question. In the event the exchange is closed on the day on which Closing Price is to be determined or if there were no sales reported on such date, Closing Price shall be computed as of the last date preceding such date on which the exchange was open and a sale was reported.

1.8 Disability. Disability or disabled shall be as defined in the employment practices or policies of the applicable subsidiary of the Company in effect from time to time during the term hereof or, absent such definition, then as defined in the H&R Block Retirement Savings Plan or any successor plan thereto.

1.9 Early Retirement. Early Retirement means the Participant's voluntary termination of employment with the Company and each of its subsidiaries at or after the date the Participant has both reached age 55 but has not yet reached age 65, and completed at least ten (10) years of service with the company or its subsidiaries.

1.10 Fair Market Value. Fair Market Value ("FMV") means the Closing Price for one share of H&R Block, Inc. Stock.

1.11 Last Day of Employment. Last Day of Employment means the date the Participant ceases for whatever reason to be an employee and is not immediately thereafter and continuously employed as a regular active employee by any other direct or indirect subsidiary of the Company

1.12 Line of Business. Line of Business of the Company means any line of business of the subsidiary of the Company by which Participant was employed as of the Last Day of Employment, as well as any one or more lines of business of any other subsidiary of the Company by which Participant was employed during the two-year period preceding the Last Day of Employment, provided that, if Participant's employment was, as of the Last Day of Employment or during the two-year period immediately prior to the Last Day of Employment, with H&R Block Management, LLC or any successor entity thereto, "Line of Business of the Company" shall mean any lines of business of the Company and all of its subsidiaries.

1.13 Qualifying Termination. Qualifying Termination shall mean Participant's termination of employment which meets the definition of a "Qualifying Termination" under a written severance plan sponsored by the Company or a subsidiary of the Company. In the event that no written severance plan exists for the Participant's subsidiary, the definition of "Qualifying Termination" contained in any applicable severance plan for the Company will govern.

1.14 Retirement. Retirement means the Participant's voluntary termination of employment with the Company and each of its subsidiaries, at or after attaining age 65.

1.15 Stock Option. Stock Option means the right to purchase, upon exercise of a stock option granted under the Plan, shares of the Company's Common Stock. A Stock Option may be an Incentive Stock Option which meets the requirements of Code Section 422(b) or a Nonqualified Stock Option. The right and option to purchase shares of Common Stock identified

as subject to Nonqualified Stock Option shall not constitute and shall not be treated for any purpose as an "incentive stock option," as such term is defined in the Code.

2. Stock Option.

2.1 Grant of Stock Option. As of [Grant Date] (the "Grant Date"), the Company grants the Participant the right and option to purchase [Number of Shares Granted] shares of Common Stock (this "Stock Option") identified as [Grant Type].

2.2 Option Price. The Price per share of Common Stock subject to this Stock Option is [Grant Price], which is the Closing Price on [Grant Date].

2.3 Vesting. This Stock Option shall vest and become exercisable in installments, which shall be cumulative, with regard to the percentage of the number of shares of Common Stock subject to this Stock Option indicated next to each vesting date set forth in the table below provided that the Participant remains continuously employed by the Company through such date:

Vesting Date	Percent of Shares Subject to this Stock Option Vesting on Such Vesting Date
First Anniversary of the Grant Date	33 1/3%
Second Anniversary of the Grant Date	33 1/3%
Third Anniversary of the Grant Date	33 1/3%

(Note: If the percentage of the aggregate number of shares of Common Stock subject to this Stock Option scheduled to vest on a vesting date is not a whole number of shares, then the amount vesting shall be rounded down to the nearest whole number of shares for each vesting date, except that the amount vesting on the final vesting date shall be such that 100% of the aggregate number of shares of Common Stock subject to this Stock Option shall be cumulatively vested as of the final vesting date.)

2.4 Acceleration of Vesting. Notwithstanding Section 2.3, the Participant shall become vested in all or a portion of the Stock Options awarded under this Grant Agreement on the occurrence of any of the following events; provided that receipt of the benefits set forth in this section 2.4 may be conditioned on the Participant executing and not revoking a release and separation agreement:

(a) *Change of Control*. In the event the Participant incurs a Qualifying Termination in the 24 months immediately following a Change of Control, as defined in Section 1.2, such Participant shall become 100% vested in all outstanding stock options granted under this Grant Agreement. The Participant may exercise such options until the earlier of: (i) ninety (90) days following the Participant's Last Day of Employment unless the Participant elects in writing to extend this time period through the severance period as defined by the applicable severance plan or (ii) the last day the stock options would have been exercisable if the Participant had not incurred a termination of employment.

(b) *Retirement*. The Participant may purchase 100% of the total Stock Options granted under this Stock Option provided that the Participant retires more than one year after the Grant Date.

(c) *Qualifying Termination*. If a Participant experiences a Qualifying Termination, all or a portion of the then outstanding Stock Options granted under this Stock Option shall vest if and to the extent specified in any applicable severance plan and Participant may purchase 100% of such vested Stock Options.

(d) *Employment Agreement*. The Participant may purchase all or a portion of the total vested Stock Options granted under this Stock Option upon the occurrence of certain events specified in the Participant's employment agreement.

If application of this Section 2.4 results in the acceleration of vesting of all or any portion of the Stock Options, shares of Common Stock then subject to Stock Options shall be allocated such that the number of shares subject to Incentive Stock Option shall be the maximum number of shares that may be subject to Incentive Stock Option under Section 422 of the Code for the calendar year in which the acceleration of vesting results.

2.5 Term of Option. No Stock Option granted under this Grant Agreement may be exercised after [Expiration Date]. Except as provided in this Section 2.5 and Section 2.6, all Stock Options shall terminate when the Participant ceases, for whatever reason, to be an employee of any of the subsidiaries of the Company. In the event the Participant ceases to be an employee of any of the subsidiaries of the Company because of Retirement or Early Retirement, Participant may exercise any vested Stock Options up to twelve months after employment ceases. If the Participant ceases to be an employee of any of the subsidiaries of the Company because of Disability, Participant may exercise any vested Stock Options up to three months after employment ceases. In the event the Participant experiences a Qualifying Termination, this Stock Option may be eligible for an extension of the exercise period pursuant to an applicable severance plan (subject to the Participant executing and not revoking a release and separation agreement).

2.6 Participant's Death. In the event the Participant ceases to be an employee of any of the subsidiaries of the Company because of Death, the person or persons to whom the Participant's rights under the Stock Option shall pass by the Participant's will or laws of descent and distribution may exercise any vested Stock Options for a period up to twelve months after the date of death.

2.7 Exercise of Stock Option. The Stock Option granted under the Plan shall be exercisable from time to time by the Participant by giving notice of exercise to the Company, in the manner specified by the Company, specifying the number of whole shares to be purchased, and accompanied by full payment of the purchase price. The right to purchase shall be cumulative, so that the full number of shares of Common Stock that become purchasable at any time need not be purchased at such time, but may be purchased at any time or from time to time thereafter (but prior to the termination of the Stock Option).

2.8 Payment of the Option Price. Full payment of the Option Price for shares purchased shall be made at the time the Participant exercises the Stock Option. Payment of the aggregate Option Price may be made in (a) cash, (b) by delivery of Common Stock (with a value equal to the Closing Price of Common Stock on the last trading date preceding the date on which the Stock Option is exercised), or (c) a combination thereof. Payment shall be made only in cash unless at least six months have elapsed between the date of Participant's acquisition of each share of Common Stock delivered by Participant in full or partial payment of the aggregate Option Price and the date on which the Stock Option is exercised.

2.9 No Shareholder Privileges. Neither the Participant nor any person claiming under or through him or her shall be, or have any of the rights or privileges of, a shareholder of the Company with respect to any of the Common Stock issuable upon the exercise of this Stock Option, unless and until certificates evidencing such shares of Common Stock shall have been duly issued and delivered.

3. Covenants.

3.1 Consideration for Award under the Plan. Participant acknowledges that Participant's agreement to this Section 3 is a key consideration for any Award under the Plan. Participant hereby agrees to abide by the Covenants set forth in Sections 3.2, 3.3, and 3.4.

3.2 Covenant Against Competition. During the period of Participant's employment and for two (2) years after his/her Last Day of Employment, Participant acknowledges and agrees he/she will not engage in, or own or control any interest in, or act as an officer, director or employee of, or consultant, advisor or lender to, any entity that engages in any business that is competitive with the primary business activities of the Company's Tax Services business which are tax preparation, accounting, and small business services.

3.3 Covenant Against Hiring. Participant acknowledges and agrees the he/she will not directly or indirectly recruit, solicit, or hire any Company employee or otherwise induce any such employee to leave the Company's employment during the period of Participant's employment and for one (1) year after his/her Last Day of Employment.

3.4 Covenant Against Solicitation. During the period of Participant's employment and for two (2) years after his/her Last Day of Employment, Participant acknowledges and agrees that he/she will not directly or indirectly solicit or enter into any business transaction of the nature performed by the Company with any Company client for which Participant personally performed services or acquired material information.

3.5 Forfeiture of Rights. Notwithstanding anything herein to the contrary, if Participant violates any provisions of this Section 3, Participant shall forfeit all rights to payments or benefits under the Plan. All Stock Options outstanding on such date shall terminate.

3.6 Remedies. Notwithstanding anything herein to the contrary, if Participant violates any provisions of this Section 3, whether prior to, on or after any Settlement of an Award under the Plan, then Participant shall promptly pay to Company an amount equal to the aggregate Amount of Gain Realized by the Participant on all Stock Options exercised after a date commencing one year prior to Participant's Last Day of Employment. The Participant shall pay

Company within three (3) business days after the date of any written demand by the Company to the Participant.

3.7 Remedies payable in Company's Common Stock or Cash. The Participant shall pay the amounts described in Section 3.6 in the Company's Common Stock or cash.

3.8 Remedies without Prejudice. The remedies provided in this Section 3 shall be without prejudice to the rights of the Company and/or the rights of any one or more of its subsidiaries to recover any losses resulting from the applicable conduct of the Participant and shall be in addition to any other remedies the Company and/or any one or more subsidiaries may have, at law or in equity, resulting from such conduct.

3.9 Survival. Participant's obligations in this Section 3 shall survive and continue beyond settlement of all Awards under the Plan and any termination or expiration of this Agreement for any reason.

4. Non-Transferability of Awards. Any Stock Option (including all rights, privileges and benefits conferred under such Award) shall not be transferred, assigned, pledged, or hypothecated in any way (whether by operation of law or otherwise) and shall not be subject to sale under execution, attachment or similar process. Upon any attempt to transfer, assign, pledge, hypothecate, or otherwise dispose of any Stock Option, or of any right or privilege conferred hereby, contrary to the provisions hereof, or upon any attempted sale under any execution, attachment, or similar process upon the rights and privileges hereby granted, then and in any such event such Award and the rights and privileges hereby granted shall immediately become null and void.

5. Miscellaneous.

5.1 No Employment Contract. This Agreement does not confer on the Participant any right to continued employment for any period of time, is not an employment contract, and shall not in any manner modify any effective contract of employment between the Participant and any subsidiary of the Company.

5.2 Clawback for Negligence or Misconduct. If the Committee determines that the Participant has engaged in negligence or intentional misconduct that results in a significant restatement of the Company's financial results and a resulting overpayment in compensation or Awards under this Plan, the Committee may require reimbursement of any portion of the Amount of Gain Realized from such Awards where such Awards were greater than the Awards would have been if calculated on the restated financial results.

5.3 Adjustment of Shares. If there shall be any change in the capital structure of the Company, including but not limited to a change in the number or kind of the outstanding shares of the Common Stock resulting from a stock dividend or split-up, or combination or reclassification of such shares (or of any stock or other securities into which shares shall have been changed, or for which they shall have been exchanged), then the Board of Directors of the Company may make such equitable adjustments with respect to the Stock Option, or any other provisions of the Plan, as it deems necessary or appropriate to prevent dilution or enlargement of the Stock Option rights hereunder or of the shares subject to this Stock Option.

5.4 Merger, Consolidation, Reorganization, Liquidation, etc. If the Company shall become a party to any corporate merger, consolidation, major acquisition of property for stock, reorganization, or liquidation, the Board of Directors shall, acting in its absolute and sole discretion, make such arrangements, which shall be binding upon the Participant of outstanding Awards, including but not limited to, the substitution of new Awards or for any Awards then outstanding, the assumption of any such Awards and the termination of or payment for such Awards.

5.5 Interpretation and Regulations. The Board of Directors of the Company shall have the power to provide regulations for administration of the Plan by the Committee and to make any changes in such guidelines as from time to time the Board may deem necessary. The Committee shall have the sole power to determine, solely for purposes of the Plan and this Agreement, the date of and circumstances which shall constitute a cessation or termination of employment and whether such cessation or termination is the result of retirement, death, disability or termination without cause or any other reason, and further to determine, solely for purposes of the Plan and this Agreement, what constitutes continuous employment with respect to the exercise of Stock Option or delivery of Shares under the Plan (except that leaves of absence approved by the Committee or transfers of employment among the subsidiaries of the Company shall not be considered an interruption of continuous employment for any purpose under the Plan).

5.6 Reservation of Rights. If at any time counsel for the Company determines that qualification of the Shares under any state or federal securities law, or the consent or approval of any governmental regulatory authority, is necessary or desirable as a condition of the executing an Award or benefit under the Plan, then such action may not be taken, in whole or in part, unless and until such qualification, registration, consent or approval shall have been effected or obtained free of any conditions such counsel deems unacceptable.

5.7 Reasonableness of Restrictions, Severability and Court Modification. Participant and the Company agree that, the restrictions contained in this Agreement are reasonable, but, should any provision of this Agreement be determined by a court of competent jurisdiction to be invalid, illegal or otherwise unenforceable or unreasonable in scope, the validity, legality and enforceability of the other provisions of this Agreement will not be affected thereby, and the provision found invalid, illegal, or otherwise unenforceable or unreasonable will be considered by the Company and Participant to be amended as to scope of protection, time or geographic area (or any one of them, as the case may be) in whatever manner is considered reasonable by that court, and, as so amended will be enforced.

5.8 Withholding of Taxes. To the extent that the Company is required to withhold taxes in compliance with any federal, state, local or foreign law in connection with any payment made or benefit realized by a Participant or other person under this Plan, it shall be a condition to the receipt of such payment or the realization of such benefit that the Participant or such other person make arrangements satisfactory to the Company for the payment of all such taxes required to be withheld. At the discretion of the Committee, such arrangements may include relinquishment of a portion of such benefit. In the event the Participant has not made arrangements, the Company shall withhold the amount of such tax obligations from such dividend payment or instruct the Participant's employer to withhold such amount from the

Participant's next payment(s) of wages. The Participant authorizes the Company to so instruct the Participant's employer and authorizes the Participant's employer to make such withholdings from payment(s) of wages.

5.9 Waiver. The failure of the Company to enforce at any time any terms, covenants or conditions of this Agreement shall not be construed to be a waiver of such terms, covenants or conditions or of any other provision. Any waiver or modification of the terms, covenants or conditions of this Agreement shall only be effective if reduced to writing and signed by both Participant and an officer of the Company.

5.10 Incorporation. The terms and conditions of this Grant Agreement are authorized by the Compensation Committee of the Board of Directors of H&R Block, Inc. The terms and conditions of this Grant Agreement are deemed to be incorporated into and form a part of every Award under the H&R Block, Inc. 1993 Long-Term Executive Compensation Plan and H&R Block, Inc. 2003 Long-Term Executive Compensation Plan unless the Award Certificate relating to a specific grant or award provides otherwise. If the Participant has previously executed a Grant Agreement, such Grant Agreement shall only cover those Awards subject to such specific Grant Agreement.

5.11 Notices. Any notice to be given to the Company or election to be made under the terms of this Agreement shall be addressed to the Company (Attention: Long-Term Incentive Department) at One H&R Block Way, Kansas City Missouri 64105 or at such other address as the Company may hereafter designate in writing to the Participant. Any notice to be given to the Participant shall be addressed to the Participant at the last address of record with the Company or at such other address as the Participant may hereafter designate in writing to the Company. Any such notice shall be deemed to have been duly given when deposited in the United States mail via regular or certified mail, addressed as aforesaid, postage prepaid.

5.12 Choice of Law. This Grant Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Missouri without reference to principles of conflicts of laws.

5.13 Choice of Forum and Jurisdiction. Participant and Company agree that any proceedings to enforce the obligations and rights under this Grant Agreement must be brought in Missouri District Court located in Jackson County, Missouri, or in the United States District Court for the Western District of Missouri in Kansas City, Missouri. Participant agrees and submits to personal jurisdiction in either court. Participant and Company further agree that this Choice of Forum and Jurisdiction is binding on all matters related to Awards under the Plan and may not be altered or amended by any other arrangement or agreement (including an employment agreement) without the express written consent of Participant and H&R Block, Inc.

5.14 Attorneys Fees. Participant and Company agree that in the event of litigation to enforce the terms and obligations under this Grant Agreement, the party prevailing in any such cause of action will be entitled to reimbursement of reasonable attorney fees.

5.15 Relationship of the Parties. Participant acknowledges that this Grant Agreement is between H&R Block, Inc. and Participant. Participant further acknowledges that H&R Block, Inc. is a holding company and that Participant is not an employee of H&R Block, Inc.

5.16 Headings. The section headings herein are for convenience only and shall not be considered in construing this Agreement.

5.17 Amendment. No amendment, supplement, or waiver to this Agreement is valid or binding unless in writing and signed by both parties.

5.18 Execution of Agreement. This Agreement shall not be enforceable by either party, and Participant shall have no rights with respect to the Long Term Incentive Award, unless and until it has been (1) signed by Participant and on behalf of the Company by an officer of the Company, provided that the signature by such officer of the Company on behalf of the Company may be a facsimile or stamped signature, and (2) returned to the Company.

In consideration of said Award and the mutual covenants contained herein, the parties agree to the terms set forth above.

The parties hereto have executed this Grant Agreement.

Associate Name: [Participant Name]

Date Signed: [Acceptance Date]

H&R BLOCK, INC.
By:

H&R BLOCK, INC.
2003 LONG-TERM EXECUTIVE COMPENSATION PLAN
PERFORMANCE SHARE UNITS
GRANT AGREEMENT

This Grant Agreement is entered into by and between H&R Block, Inc., a Missouri corporation (the "**Company**"), and [Participant Name] ("Participant").

WHEREAS, the Company provides certain incentive awards to key employees of subsidiaries of the Company under the H&R Block, Inc. 2003 Long-Term Executive Compensation Plan (the "Plan");

WHEREAS, receipt of such Awards under the Plan are conditioned upon a Participant's execution of a Grant Agreement within 180 days of [Grant Date], wherein Participant agrees to abide by certain terms and conditions authorized by the Compensation Committee of the Board of Directors;

WHEREAS, the Participant has been selected by the Compensation Committee or the Chief Executive Officer of the Company as a key employee of one of the subsidiaries of the Company and is eligible to receive Awards under the Plan.

NOW THEREFORE, in consideration of the parties' promises and agreements set forth in this Grant Agreement, the sufficiency of which the parties hereby acknowledge,

IT IS AGREED AS FOLLOWS:

1. Definitions. Whenever a term is used in this Agreement or an Award Certificate issued under the Plan, the following words and phrases shall have the meanings set forth below unless the context plainly requires a different meaning, and when a defined meaning is intended, the term is capitalized.

1.1 Amount of Gain Realized. The Amount of Gain Realized shall be equal to the number of Earned Units or Restricted Shares delivered to the Participant multiplied by the Fair Market Value (FMV) of one Share of the Company's Common Stock on the date the Earned Units or Restricted Shares became vested in or paid to the Participant.

1.2 Change of Control. Change of Control means the occurrence of one or more of the following events:

(a) Any one person, or more than one person acting as a group, acquires ownership of stock of the Company that, together with stock held by such person or group, constitutes more than 50 percent of the total fair market value or total voting power of the stock of the Company. If any one person, or more than one person acting as a group, is considered to own more than 50 percent of the total fair market value or total voting power of the stock of the Company, the acquisition of additional stock by the same person or persons shall not be considered to cause a change in the ownership of the corporation. An

increase in the percentage of stock owned by any one person, or persons acting as a group, as a result of a transaction in which the Company acquires its stock in exchange for property will be treated as an acquisition of stock for purposes of this Section 1.2(a).

(b) Any one person, or more than one person acting as a group, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) ownership of stock of the Company possessing 35 percent or more of the total voting power of the stock of the Company. If any one person, or more than one person acting as a group, is considered to effectively control a corporation within the meaning of Treasury Regulation §1.409A-3(i)(5)(vi), the acquisition of additional control of the corporation by the same person or persons is not considered to cause a change in the effective control of the corporation.

(c) A majority of members of the Company's Board of Directors (the "Board") is replaced during any 12-month period by directors whose appointment or election is not endorsed by two-thirds (2/3) of the members of the Board before the date of such appointment or election.

(d) Any one person, or more than one person acting as a group, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) assets from the Company that have a total gross fair market value equal to or more than 50 percent of the total gross fair market value of all of the assets of the Company immediately before such acquisition or acquisitions. For this purpose, gross fair market value means the value of the assets of the Company, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets. Notwithstanding the foregoing, there is no Change of Control event under this Section 1.2(d) when there is a transfer to an entity that is controlled by the shareholders of the Company immediately after the transfer. A transfer of assets by the Company is not treated as a change in the ownership of such assets if the assets are transferred to: (i) a shareholder of the Company (immediately before the asset transfer) in exchange for or with respect to its stock; (ii) an entity, 50 percent or more of the total value or voting power of which is owned, directly or indirectly, by the Company; (iii) a person, or more than one person acting as a group, that owns, directly or indirectly, 50 percent or more of the total value or voting power of all the outstanding stock of the Company; or (iv) an entity, at least 50 percent of the total value or voting power of which is owned, directly or indirectly, by a person described in (iii) above.

For purposes of the foregoing, persons will be considered acting as a group in accordance with Sections 13(d)(3) and 14(d)(2) of the Securities Exchange Act of 1934, as amended, and Section 409A of the Code.

1.3 Code. Code means the Internal Revenue Code of 1986, as amended.

1.4 Committee. Committee means the Compensation Committee of the Board of Directors for H&R Block, Inc.

1.5 Common Stock. Common Stock means the common stock, without par value, of the Company.

1.6 Company. Company means H&R Block, Inc., a Missouri corporation, and, unless the context otherwise requires, includes its "subsidiary corporations" (as defined in Section 424(f) of the Internal Revenue Code) and their respective divisions, departments and subsidiaries and the respective divisions, departments and subsidiaries of such subsidiaries.

1.7 Closing Price. Closing Price shall mean the last reported market price for one share of Common Stock, regular way, on the New York Stock Exchange (or any successor exchange or stock market on which such last reported market price is reported) on the day in question. In the event the exchange is closed on the day on which Closing Price is to be determined or if there were no sales reported on such date, Closing Price shall be computed as of the last date preceding such date on which the exchange was open and a sale was reported.

1.8 Disability. "Disability" or "Disabled" means a Participant is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits under the group long-term disability insurance program maintained by the Company, and shall be deemed to first occur on the date as of which such income replacement benefits commence.

1.9 EBITDA. EBITDA means the Company's net earnings before the deduction of interest expenses, taxes, depreciation, and amortization, reduced by the portion of such amount that is attributable to the ownership or operation of RSM McGladrey, Inc. and its subsidiaries.

1.10 Early Retirement. Early Retirement means the Participant's voluntary Termination of Employment with the Company and each of its subsidiaries at or after the date the Participant has both reached age 55 but has not yet reached age 65, and completed at least ten (10) years of service with the Company or its subsidiaries.

1.11 Earned Units. Earned Units for the Performance Period mean the portion of the Performance Units awarded for such period determined in accordance with the applicable provisions of Section 2.5 or 2.8.

1.12 Fair Market Value. Fair Market Value ("FMV") means the Closing Price for one share of H&R Block, Inc. Stock.

1.13 Fiscal Year. Fiscal Year means the Company's fiscal year ended April 30.

1.14 Good Reason Termination. Good Reason Termination shall mean Participant's Termination of Employment which meets the definition of a "Good Reason Termination" under a written severance plan sponsored by the Company or a subsidiary of the Company. In the event that no written severance plan exists for the Participant's

subsidiary, the definition of "Good Reason Termination" contained in any applicable severance plan for the Company will govern.

1.15 Last Day of Employment. Last Day of Employment means the date of a Participant's Termination of Employment.

1.16 Maximum Performance. Maximum Performance means the level of Revenue or EBITDA, as the case may be, for each Fiscal Year during the Performance Period set by the Committee by the 162(m) Deadline for the applicable Fiscal Year that results in a 200% factor in the Payment Formula set forth in Section 2.5.

1.17 Minimum Performance. Minimum Performance means the level of Revenue or EBITDA, as the case may be, for each Fiscal Year during the Performance Period set by the Committee by the 162(m) Deadline for the applicable Fiscal Year that results in a 0% factor in the Payment Formula set forth in Section 2.5.

1.18 162(m) Deadline. 162(m) Deadline means the 90th day of the Fiscal Year for which the Targets are set.

1.19 Peer Companies. Peer Companies are the companies in the S&P 500 as of the first day of the relevant period other than the Company. If a Peer Company ceases to be a member of the S&P 500 during the relevant period, then such company will be excluded from the calculation.

1.20 Performance Period. Performance Period means the period commencing May 1, 2011 and ending April 30, 2014.

1.21 Performance Units. Performance Units means the number of units awarded pursuant to this Agreement that may become Earned Units in accordance with Section 2.5 or 2.8.

1.22 Qualifying Termination. Qualifying Termination shall mean Participant's Termination of Employment which meets the definition of a "Qualifying Termination" under a written severance plan sponsored by the Company or a subsidiary of the Company. In the event that no written severance plan exists for the Participant's subsidiary, the definition of "Qualifying Termination" contained in any applicable severance plan for the Company will govern.

1.23 Relative TSR. Relative TSR means the percentile placement of the Company's Total Shareholder Return relative to the Total Shareholder Return of the Peer Companies. Relative Total Shareholder Return will be determined by ranking the Company and the Peer Companies from highest to lowest according to their respective Total Shareholder Returns. Based on this ranking, the percentile performance of the Company relative to the Peer Companies will be determined as follows:

$$P = 1 - \frac{R - 1}{N}$$

"P" represents the Company's percentile performance which will be rounded, if necessary, to the nearest whole percentile (with 5 being rounded up). "N" represents the number of Peer Companies. "R" represents Company's ranking among the Peer Companies.

1.24 Retirement. Retirement means the Participant's voluntary Termination of Employment with the Company and each of its subsidiaries at or after attaining age 65.

1.25 Revenue. Revenue means the Company's total revenue, reduced by the portion thereof that consists of revenue attributable to the ownership or operation of RSM McGladrey, Inc. and its subsidiaries.

1.26 S&P 500. S&P 500 means the 500 US Companies listed by the Standard and Poor's.

1.27 Target Performance. Target Performance means the level of Revenue or EBITDA, as the case may be, for each Fiscal Year during the Performance Period set by the Committee by the 162(m) Deadline for the applicable Fiscal Year that results in a 100% factor in the Payment Formula set forth in Section 2.5.

1.28 Targets. Targets for a Fiscal Year mean the Minimum Performance, Target Performance and Maximum Performance for Revenue and EBITDA for such Fiscal Year.

1.29 Termination of Employment. Termination of Employment, termination of employment and similar references mean a separation from service within the meaning of Code §409A. A Participant who is an employee will generally have a Termination of Employment if the Participant voluntarily or involuntarily terminates employment with the Company. A termination of employment occurs if the facts and circumstances indicate that the Participant and the Company reasonably anticipate that no further services will be performed after a certain date or that the level of bona fide services the Participant will perform after such date (whether as an employee, director or other independent contractor) for the Company will decrease to no more than 20 percent of the average level of bona fide services performed (whether as an employee, director or other independent contractor) over the immediately preceding 36-month period (or full period of services if the Participant has been providing services for less than 36 months). For purposes of this Section 1.30, "Company" includes any entity that would be aggregated with the Company under Treasury Regulation 1.409A-1(h)(3).

1.30 Total Shareholder Return. Total Shareholder Return for the Performance Period (or such shorter period provided in Section 2.8) for the Company and each Peer Company means the percentage for that entity for that period that is the quotient of: (i) the sum of the average fair market value per share of the entity's common stock for the last thirty (30) trading days of such period (the "Ending Value"), minus the average fair market value per share of the entity's common stock for the most recent thirty (30) trading days

preceding the beginning of such period (the "Beginning Value"), plus dividends (other than stock dividends) with respect to which the record date occurs during such period; divided by (ii) the Beginning Value. In the event of a stock split, reverse stock split or stock dividend having a record date during such year (whether of the Company or a Peer Company), the Committee shall adjust the Beginning Value by multiplying it by the ratio of the number of shares outstanding at the beginning of the period to the number of shares outstanding at the end of the period.

2. Performance Shares.

2.1 Grant of Performance Shares. As of [Grant Date] (the "Award Date"), the Company shall award [Number of Shares Granted] Performance Units (the "Performance Shares").

2.2 Performance Period. Performance Units shall become Earned Units that shall be certified by the Committee in accordance with Section 2.5 or 2.8, as applicable, based on the Company's satisfaction of the Targets during the Performance Period.

2.3 Performance Goals. The Compensation Committee of the Board shall specify by the 162(m) Deadline the Targets to be met during the Performance Period or any sub-periods as a condition of payment pursuant to this Agreement.

2.4 Dividends and Voting Rights. During the time that Performance Units are outstanding and subject to substantial risk of forfeiture, the Participant shall not receive dividend payments, rather dividends will accumulate as if each Performance Unit represented one Share and the accumulated dividends (without any interest) will be paid to the Participant within sixty (60) days after the end of the Performance Period to the extent of dividends that are attributable to Earned Units that are paid to the Participant. Participant shall not have voting rights with respect to Performance Units or Earned Units.

2.5 Payment Formula. Payments or conversions to Restricted Shares pursuant to this Agreement shall be based on Earned Units, and the extent to which such Earned Units become vested pursuant to this Agreement. The percentage of the Performance Units that will become Earned Units (the "Earned Percentage") shall be determined after the end of the Performance Period in accordance with this section, except as otherwise provided in Section 2.8. The Earned Percentage is the product of "Average Revenue/EBITDA Performance" multiplied by the "Relative TSR Factor," which amounts shall be determined as set forth below.

The "Average Revenue/EBITDA Performance" is the average of the Average EBITDA Performance ("Ave. EBITDA") and the Average Revenue Performance ("Ave. Revenue") determined as follows:

$$\text{(Average Revenue/EBITDA Performance)} = \frac{\text{(Ave. EBITDA)} + \text{(Ave. Revenue)}}{2}$$

Ave. EBITDA is the average of the "EBITDA Factors" for each of the three Fiscal Years during the Performance Period determined as follows:

$$\text{(Ave. EBITDA)} = \frac{\text{(EBITDA Factor 1)} + \text{(EBITDA Factor 2)} + \text{(EBITDA Factor 3)}}{3}$$

"EBITDA Factor 1, 2 and 3" refers to the percentage EBITDA Factor for each of the first, second and third Fiscal Years during the Performance Period, respectively.

"EBITDA Factor" means the percentage for a Fiscal Year determined as follows: (i) EBITDA for such Fiscal Year equal to Target Performance for such Fiscal Year results in an EBITDA Factor of 100%; (ii) EBITDA for such Fiscal Year equal to or less than Minimum Performance for such Fiscal Year results in an EBITDA Factor of 0%; (iii) EBITDA for such Fiscal Year greater than Minimum Performance for such Fiscal Year and less than Target Performance for such Fiscal Year results in an EBITDA Factor between 0% and 100% based on straight line interpolation between Minimum and Target Performance; (iv) EBITDA for such Fiscal Year equal to or greater than Maximum Performance for such Fiscal Year results in an EBITDA Factor of 200%; and (v) EBITDA for such Fiscal Year greater than Target Performance for such Fiscal Year and less than Maximum Performance for such Fiscal Year results in an EBITDA Factor between 100% and 200%, based on straight line interpolation between Target and Maximum Performance.

Ave. Revenue is the average of the "Revenue Factors" for each of the three Fiscal Years during the Performance Period determined as follows:

$$\text{(Ave. Revenue)} = \frac{\text{(Revenue Factor 1)} + \text{(Revenue Factor 2)} + \text{(Revenue Factor 3)}}{3}$$

"Revenue Factor 1, 2 and 3" refers to the percentage Revenue Factor for each of the first, second and third Fiscal Years during the Performance Period, respectively.

"Revenue Factor" means the percentage for a Fiscal Year determined as follows: (i) Revenue for such Fiscal Year equal to Target Performance for such Fiscal Year results in a Revenue Factor of 100%; (ii) Revenue for such Fiscal Year equal to or less than Minimum Performance for such Fiscal Year results in a Revenue Factor of 0%; (iii) Revenue for such Fiscal Year greater than Minimum Performance for such Fiscal Year and less than Target Performance for such Fiscal Year results in a Revenue Factor between 0% and 100% based on straight line interpolation between Minimum and Target Performance; (iv) Revenue for such Fiscal Year equal to or greater than Maximum Performance for such Fiscal Year results in a Revenue Factor of 200%; and (v) Revenue for such Fiscal Year greater than Target Performance for such Fiscal Year and less than Maximum Performance for such Fiscal Year results in a Revenue Factor between 100% and 200%, based on straight line interpolation between Target and Maximum Performance.

The Earned Percentage is the product of Average Revenue/EBITDA Performance and the Relative TSR Factor. The Relative TSR Factor will be 75% if Relative TSR is at or below the 20th percentile. The Relative TSR Factor will be 125% if the Relative TSR is at or above the 80th percentile. Relative TSR between the 20th and 80th percentiles results in a Relative TSR Factor between 75% and 125%, based on straight line interpolation between the 20th and 80th percentiles.

2.6 Vesting. Except as otherwise provided in this Grant Agreement, Participant shall become vested in the Earned Units only if Participant remains continuously employed by the Company throughout the Performance Period, and the Participant's termination of employment before the end of the Performance Period shall result in forfeiture of all rights in the Performance Units and Participant shall not be entitled to a distribution.

2.7 Acceleration of Vesting. Notwithstanding Section 2.6, the Participant shall be entitled to pro-rata vesting of the Earned Units under this Grant Agreement on the occurrence of any of the following events; provided that receipt of the benefits set forth in this section 2.7 may be conditioned on the Participant executing and not revoking a release and separation agreement within 60 days following the date of the applicable event. The pro-rata vesting of the Earned Units shall be based on the period between the first day of the Performance Period and the Participant's Last Day of Employment. Such award shall be calculated and paid in accordance with Section 2.10.

(a) *Retirement*. Upon Retirement or Early Retirement, Participant shall be entitled to pro-rata vesting of any Earned Units that relate to Performance Units that were awarded more than one year prior to Retirement or Early Retirement based on the achievement of the Targets as of the last day of the Performance Period.

(b) *Qualifying Termination*. If a Participant experiences a Qualifying Termination, Participant shall be entitled to pro-rata vesting of any Earned Units that relate to Performance Units that were awarded more than one year prior to the Qualifying Termination based on the achievement of the Targets as of the last day of the Performance Period.

(c) *Disability*. In the event Participant terminates employment due to Disability, Participant shall be entitled to pro-rata vesting of any Earned Units that relate to Performance Units that were awarded more than one year prior to the Disability based on the achievement of the Targets as of the last day of the Performance Period.

(d) *Death*. In the event Participant terminates employment due to Participant's death, Participant's estate shall be entitled to pro-rata vesting of any Earned Units that relate to Performance Units that were awarded more than one year prior to Participant's death based on the achievement of the Targets as of the last day of the Performance Period.

2.8 Change of Control. Notwithstanding Sections 2.5 and 2.6, upon the occurrence of a Change of Control before the Participant has experienced Termination of Employment with the Company other than a termination described in Section 2.7, the

Performance Units shall be cancelled and a number of Restricted Shares shall be issued that equal the portion of the number of cancelled Performance Units that would become Earned Units under Section 2.5 based on: (i) actual Revenue and EBITDA performance relative to the Targets for each completed Fiscal Year; (ii) the assumption that performance would have been at Target Performance for Revenue and EBITDA for Fiscal Years that have not been completed as of the date of the Change of Control; (iii) Relative TSR through the date of the Change of Control; and (iv) if the Participant terminated employment in a manner described in Section 2.7 prior to the Change of Control the number of Restricted Shares shall be further adjusted for the pro-rata adjustment required by Section 2.7. Such Restricted Shares shall be subject to the terms set forth in this Section 2.8. Unless the Participant terminated employment before the Change of Control under a circumstance described in Section 2.7, such Restricted Shares shall be subject to a "substantial risk of forfeiture" within the meaning of Code Section 83 until the last day of the Performance Period that applied to the cancelled Performance Shares. If a Participant Terminated Employment before a Change of Control under a circumstance described in Section 2.7, the Participant shall, upon the occurrence of the Change of Control, become 100% vested in all outstanding converted Restricted Shares awarded under this Grant Agreement.

During the period the Restricted Shares are subject to substantial risk of forfeiture, the Restricted Shares shall be held by the Company, or its transfer agent or other designee and shall be subject to restrictions on transfer. Except as otherwise set forth in this Section 2.8, in order to become vested in the Restricted Shares, the Participant must remain in continuous employment of the Company during the period any Restricted Shares are subject to substantial risk of forfeiture. Absent an agreement to the contrary, if Participant experiences a Termination of Employment with the Company for any reason, other than Qualifying Termination, Good Reason Termination, Retirement, Early Retirement, Death or Disability while the Restricted Shares are subject to a substantial risk of forfeiture, all Restricted Shares then held by the Company or its transfer agent or other designee, if any, shall be forfeited by the Participant and Participant authorizes the Company and its stock transfer agent to cause delivery, transfer and conveyance of the Restricted Shares to the Company. If a Participant has a Termination of Employment following a Change of Control due to a Qualifying Termination, a Good Reason Termination, Retirement, Early Retirement, Death, or Disability, the Participant shall, upon the occurrence of such termination, become 100% vested in all outstanding converted Restricted Shares awarded under this Grant Agreement.

The Restricted Shares shall cease to be subject to a substantial risk of forfeiture and an equal number of Shares shall be transferred directly into a brokerage account established for the Participant at a financial institution the Committee shall select at its sole discretion (the "Financial Institution") or delivered in certificate form free of restrictions, such method to be selected by the Committee in its sole discretion upon: (i) if the Participant Terminated Employment before a Change of Control under a circumstance described in Section 2.7 other than death, the later of: (x) the date of the Change of Control, or (y) six months following the date of Termination of Employment due to a Qualifying Termination, Retirement, Early Retirement or Disability; (ii) if the Participant Terminated Employment before a Change of Control under a circumstance described in Section 2.7 due to death, the

date of the Change of Control; (iii) if the Participant Terminated Employment after the date of the Change of Control due to a Qualifying Termination, Good Reason Termination, Retirement, Early Retirement or Disability, the date that is six months following the date of Termination of Employment; (iv) if the Participant Terminated Employment after a Change of Control but prior to the vesting date due to death, the date of death; or (v) if the Participant did not Terminate Employment prior to the vesting date, the vesting date. The Participant agrees to complete any documentation with the Company or the financial institution that is necessary to effect the transfer of Shares to the financial institution before the delivery will occur.

2.9 Certification of a Performance Award. Upon completion of the Performance Period or such earlier period set forth in Section 2.8, and prior to the payment of any Earned Units to a Participant or conversion of Earned Units to Restricted Stock pursuant to Section 2.8, the Committee shall certify in writing the extent to which the Targets have been satisfied.

2.10 Payment of Performance Awards. Except as provided in Section 2.8 or in this Section 2.10, vested Earned Units shall be paid out, in Shares of the Common Stock or cash (as determined by the Committee in its sole discretion), sixty (60) days following the end of the Performance Period. Payment of any vested Earned Units pursuant to Section 2.7(a), (b) or (c) shall be made in a single lump sum in Shares of the Common Stock equal to the number of vested Earned Units, or in cash (as determined by the Committee in its sole discretion), upon the later of sixty (60) days following the end of the Performance Period, or the date which is six (6) months following the Participant's Last Day of Employment. The amount of any cash paid shall be based upon the Fair Market Value at the close of the Performance Period of shares of Common Stock covered by such vested Earned Units.

3. Covenants.

3.1 Consideration for Award under the Plan. Participant acknowledges that Participant's agreement to this Section 3 is a key consideration for any Award under the Plan. Participant hereby agrees to abide by the Covenants set forth in Sections 3.2, 3.3, and 3.4.

3.2 Covenant Against Competition. Until the later of: (i) the first day following the Performance Period, or (2) the period of Participant's employment and for two (2) years after his/her Last Day of Employment, Participant acknowledges and agrees he/she will not engage in, or own or control any interest in, or act as an officer, director or employee of, or consultant, advisor or lender to, any entity that engages in any business that is competitive with the primary business activities of the Company's Tax Services business which are tax preparation, accounting, and small business services.

3.3 Covenant Against Hiring. Participant acknowledges and agrees the he/she will not directly or indirectly recruit, solicit, or hire any Company employee or otherwise

induce any such employee to leave the Company's employment during the period of Participant's employment and for one (1) year after his/her Last Day of Employment.

3.4 Covenant Against Solicitation. During the period of Participant's employment and for two (2) years after his/her Last Day of Employment, Participant acknowledges and agrees that he/she will not directly or indirectly solicit or enter into any business transaction of the nature performed by the Company with any Company client for which Participant personally performed services or acquired material information.

3.5 Forfeiture of Rights. Notwithstanding anything herein to the contrary, if Participant violates any provisions of this Section 3, Participant shall forfeit all rights to payments or benefits under the Plan. All Shares held by the Company and subject to forfeiture on such date shall terminate.

3.6 Remedies. Notwithstanding anything herein to the contrary, if Participant violates any provisions of this Section 3, whether prior to, on or after any Settlement of an Award under the Plan, then Participant shall promptly pay to Company an amount equal to the aggregate Amount of Gain Realized by the Participant on all Shares received after a date commencing one year prior to Participant's Last Day of Employment. The Participant shall pay Company within three (3) business days after the date of any written demand by the Company to the Participant.

3.7 Remedies payable in Company's Common Stock or Cash. The Participant shall pay the amounts described in Section 3.6 in the Company's Common Stock or cash.

3.8 Remedies without Prejudice. The remedies provided in this Section 3 shall be without prejudice to the rights of the Company and/or the rights of any one or more of its subsidiaries to recover any losses resulting from the applicable conduct of the Participant and shall be in addition to any other remedies the Company and/or any one or more subsidiaries may have, at law or in equity, resulting from such conduct.

3.9 Survival. Participant's obligations in this Section 3 shall survive and continue beyond settlement of all Awards under the Plan and any termination or expiration of this Agreement for any reason.

4. Transfer Restrictions.

4.1 Transfer Restrictions on Shares. Any Restricted Shares issued pursuant to this Agreement, and the rights and privileges conferred hereby shall not be transferred, assigned, pledged, or hypothecated in any way (whether by operation of law or otherwise) and shall not be subject to sale under execution, attachment or similar process, prior to the lapse of all restrictions. Upon any attempt, contrary to the terms hereof, to transfer, assign, pledge, hypothecate, or otherwise so dispose of such Shares or any right or privilege conferred hereby, or upon any attempted sale under any execution, attachment, or similar process upon such Shares or the rights and privileges hereby granted, then and in any such event this Agreement and the rights and privileges hereby granted shall immediately

terminate. Immediately after such termination, such Shares shall be forfeited by the Participant.

4.2 Non-Transferability of Awards Generally. Any Performance Unit, Earned Unit or other Award (including all rights, privileges and benefits conferred under such Award) shall not be transferred, assigned, pledged, or hypothecated in any way (whether by operation of law or otherwise) and shall not be subject to sale under execution, attachment or similar process. Upon any attempt to transfer, assign, pledge, hypothecate, or otherwise dispose of any Award, or of any right or privilege conferred hereby, contrary to the provisions hereof, or upon any attempted sale under any execution, attachment, or similar process upon the rights and privileges hereby granted, then and in any such event such Award and the rights and privileges hereby granted shall immediately become null and void.

5. Miscellaneous.

5.1 No Employment Contract. This Agreement does not confer on the Participant any right to continued employment for any period of time, is not an employment contract, and shall not in any manner modify any effective contract of employment between the Participant and any subsidiary of the Company.

5.2 Clawback. In the event of a significant restatement of the Company's financial results and a resulting overpayment in compensation or Awards under this Plan, the Committee may require reimbursement of any portion of the Amount of Gain Realized from such Awards where such Awards were greater than the Awards would have been if calculated on the restated financial results.

5.3 Adjustment of Shares. If there shall be any change in the capital structure of the Company, including but not limited to a change in the number or kind of the outstanding shares of the Common Stock resulting from a stock dividend or split-up, or combination or reclassification of such shares (or of any stock or other securities into which shares shall have been changed, or for which they shall have been exchanged), then the Board of Directors of the Company may make such equitable adjustments with respect to the Performance Units, Earned Units and any Restricted Shares (and Shares following lapse of the restrictions), or any other provisions of the Plan, as it deems necessary or appropriate to prevent dilution or enlargement of the rights hereunder, of the Performance Units, Earned Units or of any Restricted Shares subject to this Grant Agreement.

5.4 Merger, Consolidation, Reorganization, Liquidation, etc. If the Company shall become a party to any corporate merger, consolidation, major acquisition of property for stock, reorganization, or liquidation, the Board of Directors shall, acting in its absolute and sole discretion, make such arrangements, which shall be binding upon the Participant of outstanding Awards, including but not limited to, the substitution of new Awards or for any Awards then outstanding, the assumption of any such Awards and the termination of or payment for such Awards.

5.5 Interpretation and Regulations. The Board of Directors of the Company shall have the power to provide regulations for administration of the Plan by the Committee and to make any changes in such guidelines as from time to time the Board may deem necessary. The Committee shall have the sole power to determine, solely for purposes of the Plan and this Agreement, the date of and circumstances which shall constitute a cessation or termination of employment and whether such cessation or termination is the result of retirement, death, disability or termination without cause or any other reason, and further to determine, solely for purposes of the Plan and this Agreement, what constitutes continuous employment with respect to the delivery of Shares under the Grant Agreement (except that leaves of absence approved by the Committee or transfers of employment among the subsidiaries of the Company shall not be considered an interruption of continuous employment for any purpose under the Plan).

5.6 Reservation of Rights. If at any time counsel for the Company determines that qualification of the Shares under any state or federal securities law, or the consent or approval of any governmental regulatory authority, is necessary or desirable as a condition of the executing an Award or benefit under the Plan, then such action may not be taken, in whole or in part, unless and until such qualification, registration, consent or approval shall have been effected or obtained free of any conditions such counsel deems unacceptable.

5.7 Reasonableness of Restrictions, Severability and Court Modification. Participant and the Company agree that, the restrictions contained in this Agreement are reasonable, but, should any provision of this Agreement be determined by a court of competent jurisdiction to be invalid, illegal or otherwise unenforceable or unreasonable in scope, the validity, legality and enforceability of the other provisions of this Agreement will not be affected thereby, and the provision found invalid, illegal, or otherwise unenforceable or unreasonable will be considered by the Company and Participant to be amended as to scope of protection, time or geographic area (or any one of them, as the case may be) in whatever manner is considered reasonable by that court, and, as so amended will be enforced.

5.8 Withholding of Taxes. To the extent that the Company is required to withhold taxes in compliance with any federal, state, local or foreign law in connection with any payment made or benefit realized by a Participant or other person under this Plan, it shall be a condition to the receipt of such payment or the realization of such benefit that the Participant or such other person make arrangements satisfactory to the Company for the payment of all such taxes required to be withheld. At the discretion of the Committee, such arrangements may include relinquishment of a portion of such benefit. In the event the Participant has not made arrangements, the Company shall withhold the amount of such tax obligations from such dividend payment or instruct the Participant's employer to withhold such amount from the Participant's next payment(s) of wages. The Participant authorizes the Company to so instruct the Participant's employer and authorizes the Participant's employer to make such withholdings from payment(s) of wages.

5.9 Waiver. The failure of the Company to enforce at any time any terms, covenants or conditions of this Agreement shall not be construed to be a waiver of such

terms, covenants or conditions or of any other provision. Any waiver or modification of the terms, covenants or conditions of this Agreement shall only be effective if reduced to writing and signed by both Participant and an officer of the Company.

5.10 Notices. Any notice to be given to the Company or election to be made under the terms of this Agreement shall be addressed to the Company (Attention: Long-Term Incentive Department) at One H&R Block Way, Kansas City Missouri 64105 or at such other address as the Company may hereafter designate in writing to the Participant. Any notice to be given to the Participant shall be addressed to the Participant at the last address of record with the Company or at such other address as the Participant may hereafter designate in writing to the Company. Any such notice shall be deemed to have been duly given when deposited in the United States mail via regular or certified mail, addressed as aforesaid, postage prepaid.

5.11 Choice of Law. This Grant Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Missouri without reference to principles of conflicts of laws.

5.12 Choice of Forum and Jurisdiction. Participant and Company agree that any proceedings to enforce the obligations and rights under this Grant Agreement must be brought in Missouri District Court located in Jackson County, Missouri, or in the United States District Court for the Western District of Missouri in Kansas City, Missouri. Participant agrees and submits to personal jurisdiction in either court. Participant and Company further agree that this Choice of Forum and Jurisdiction is binding on all matters related to Awards under the Plan and may not be altered or amended by any other arrangement or agreement (including an employment agreement) without the express written consent of Participant and H&R Block, Inc.

5.13 Attorneys Fees. Participant and Company agree that in the event of litigation to enforce the terms and obligations under this Grant Agreement, the party prevailing in any such cause of action will be entitled to reimbursement of reasonable attorney fees.

5.14 Relationship of the Parties. Participant acknowledges that this Grant Agreement is between H&R Block, Inc. and Participant. Participant further acknowledges that H&R Block, Inc. is a holding company and that Participant is not an employee of H&R Block, Inc.

5.15 Headings. The section headings herein are for convenience only and shall not be considered in construing this Agreement.

5.16 Amendment. No amendment, supplement, or waiver to this Agreement is valid or binding unless in writing and signed by both parties.

5.17 Execution of Agreement. This Agreement shall not be enforceable by either party, and Participant shall have no rights with respect to the Long Term Incentive Award, unless and until it has been (1) signed by Participant and on behalf of the Company by an

officer of the Company, *provided that* the signature by such officer of the Company on behalf of the Company may be a facsimile or stamped signature, and (2) returned to the Company.

5.18 Section 409A Compliance. To the extent any provision of the Plan or action by the Board or Committee would subject any Participant to liability for interest, penalties or additional taxes under Section 409A of the Code, it will be deemed null and void, to the extent permitted by law and deemed advisable by the Committee. It is intended that the Plan will comply with or be exempt from Section 409A of the Code, and the Plan shall be interpreted consistent with such intent. The Plan may be amended in any respect deemed necessary (including retroactively) by the Committee in order to pursue compliance with or exemption from, as applicable, Section 409A of the Code. The foregoing shall not be construed as a guarantee of any particular tax effect for Plan benefits. A Participant or beneficiary as applicable is solely responsible and liable for the satisfaction of all taxes and penalties that may be imposed on the Participant or beneficiary in connection with any payments to such Participant or beneficiary under the Plan, including any taxes, interest and penalties under Section 409A of the Code, and neither the Company nor any Affiliate shall have any obligation to indemnify or otherwise hold a Participant or beneficiary harmless from any and all of such taxes and penalties. Notwithstanding any provision of the Plan that requires action or inaction to avoid the imposition of taxes, penalties or interest due to Code Section 409A, neither the Company nor any Affiliate shall have any responsibility to so act or fail to act, and under no circumstances shall the Company or any of its Affiliates have any liability for any taxes, interest, penalties or other amount imposed due to Code Section 409A.

In consideration of said Award and the mutual covenants contained herein, the parties agree to the terms set forth above.

The parties hereto have executed this Grant Agreement.

Associate Name: [Participant Name]

Date Signed: [Acceptance Date]

H&R BLOCK, INC.
By:

Exhibit 10.4

H&R BLOCK, INC.
2003 LONG-TERM EXECUTIVE COMPENSATION PLAN
GRANT AGREEMENT

This Grant Agreement is entered into by and between H&R Block, Inc., a Missouri corporation (the "Company"), and William C. Cobb ("Participant").

WHEREAS, the Company provides certain incentive awards to key employees of subsidiaries of the Company under the H&R Block, Inc. 2003 Long-Term Executive Compensation Plan (the "Plan"); and

WHEREAS, receipt of such Awards under the Plan are conditioned upon a Participant's execution of a Grant Agreement within 180 days of May 2, 2011, wherein Participant agrees to abide by certain terms and conditions authorized by the Compensation Committee of the Board of Directors.

NOW THEREFORE, in consideration of the parties promises and agreements set forth in this Grant Agreement, the sufficiency of which the parties hereby acknowledge,

IT IS AGREED AS FOLLOWS:

1. Definitions. Whenever a term is used in this Agreement or an Award Certificate issued under the Plan, the following words and phrases shall have the meanings set forth below unless the context plainly requires a different meaning, and when a defined meaning is intended, the term is capitalized.

1.1 Code. Code means the Internal Revenue Code of 1986, as amended.

1.2 Committee. Committee means the Compensation Committee of the Board of Directors for H&R Block, Inc.

1.3 Common Stock. Common Stock means the common stock, without par value, of the Company.

1.4 Company. Company means H&R Block, Inc., a Missouri corporation, and, unless the context otherwise requires, includes its "subsidiary corporations" (as defined in Section 424(f) of the Internal Revenue Code) and their respective divisions, departments and subsidiaries and the respective divisions, departments and subsidiaries of such subsidiaries.

1.5 Closing Price. Closing Price shall mean the last reported market price for one share of Common Stock, regular way, on the New York Stock Exchange (or any successor exchange or stock market on which such last reported market price is reported) on the day in question. In the event the exchange is closed on the day on which Closing Price is to be determined or if there were no sales reported on such date, Closing Price

shall be computed as of the last date preceding such date on which the exchange was open and a sale was reported.

1.6 Fair Market Value. Fair Market Value ("FMV") means the Closing Price for one share of H&R Block, Inc. Stock.

1.7 Restricted Shares. Restricted Share ("Shares") means a share of Common Stock issued to a Participant under the Plan subject to such terms and conditions, including without limitation, forfeiture or resale to the Company, and to such restrictions against sale, transfer or other disposition, as the Committee may determine at the time of issuance.

2. Restricted Shares.

2.1 Issuance of Shares. As of May 2, 2011 (the "Award Date"), the Company shall issue 128,720 Shares evidenced by this Grant Agreement to the Participant which shall be held by the Company and subject to the substantial risk of forfeiture.

2.2 Substantial Risk of Forfeiture. The Shares covered hereby shall be subject to a "substantial risk of forfeiture" within the meaning of Code Section 83 for a period time as designated by Section 2.6, subject to Section 2.7.

2.3 Restrictions on Transfer. During for period the Shares are subject to substantial risk of forfeiture, the Shares shall be held by the Company, or its transfer agent or other designee and shall be subject to restrictions on transfer.

2.4 [RESERVED]

2.5 Requirement of Employment. The Participant must remain in continuous employment of the Company during the period any Shares are subject to substantial risk of forfeiture. Absent an agreement to the contrary, if Participant's employment with the Company should terminate for any reason, other than Retirement, all Shares then held by the Company or its transfer agent or other designee, if any, shall be forfeited by the Participant and Participant authorizes the Company and its stock transfer agent to cause delivery, transfer and conveyance of the Shares to the Company.

2.6 Delivery of Shares. Any Shares to be delivered to the Participant by the Company in accordance with the following Schedule:

Vesting Date	Percent of Shares Subject to Vesting on Such Vesting Date
December 24, 2011	33%
December 24, 2012	33%
December 24, 2013	34%

Upon the vesting date, Shares shall be transferred directly into a brokerage account established for the Participant at a financial institution the Committee shall select at its sole discretion (the

"Financial Institution") or delivered in certificate form free of restrictions, such method to be selected by the Committee in its sole discretion. The Participant agrees to complete any documentation with the Company or the financial institution that is necessary to affect the transfer of Shares to the financial institution before the delivery will occur.

2.7 Acceleration of Vesting. Notwithstanding anything herein to the contrary, the acceleration of the vesting of any Shares shall occur in accordance with the terms and conditions of that certain Employment Agreement dated April 27, 2011, between Participant and H&R Block Management, LLC (the "Employment Agreement").

3. [RESERVED]

4. Transfer Restrictions.

4.1 Transfer Restrictions on Shares. During the period that Shares are held by the Company hereunder for delivery to the Participant, such Shares and the rights and privileges conferred hereby shall not be transferred, assigned, pledged, or hypothecated in any way (whether by operation of law or otherwise) and shall not be subject to sale under execution, attachment or similar process. Upon any attempt, contrary to the terms hereof, to transfer, assign, pledge, hypothecate, or otherwise so dispose of such Shares or any right or privilege conferred hereby, or upon any attempted sale under any execution, attachment, or similar process upon such Shares or the rights and privileges hereby granted, then and in any such event this Agreement and the rights and privileges hereby granted shall immediately terminate. Immediately after such termination, such Shares shall be forfeited by the Participant and the Participant hereby authorizes the Company and its stock transfer agent to cause the delivery, transfer and conveyance of such Shares to the Company.

4.2 Non-Transferability of Awards Generally. Any Award (including all rights, privileges and benefits conferred under such Award) shall not be transferred, assigned, pledged, or hypothecated in any way (whether by operation of law or otherwise) and shall not be subject to sale under execution, attachment or similar process. Upon any attempt to transfer, assign, pledge, hypothecate, or otherwise dispose of any Award, or of any right or privilege conferred hereby, contrary to the provisions hereof, or upon any attempted sale under any execution, attachment, or similar process upon the rights and privileges hereby granted, then and in any such event such Award and the rights and privileges hereby granted shall immediately become null and void.

5. Miscellaneous.

5.1 No Employment Contract. This Agreement does not confer on the Participant any right to continued employment for any period of time, is not an employment contract, and shall not in any manner modify any effective contract of employment between the Participant and any subsidiary of the Company.

5.2 [RESERVED]

5.3 Adjustment of Shares. If there shall be any change in the capital structure of the Company, including but not limited to a change in the number or kind of the outstanding shares of the Common Stock resulting from a stock dividend or split-up, or combination or reclassification of such shares (or of any stock or other securities into which shares shall have been changed, or for which they shall have been exchanged), then the Board of Directors of the Company shall make such equitable adjustments with respect to the Shares, or any other provisions of the Plan, as it deems necessary or appropriate to prevent dilution or enlargement of the rights hereunder or of the shares subject to this Grant Agreement.

5.4 Merger, Consolidation, Reorganization, Liquidation, etc. If the Company shall become a party to any corporate merger, consolidation, major acquisition of property for stock, reorganization, or liquidation, the Board of Directors shall, acting in its absolute and sole discretion, make such arrangements, which shall be binding upon the Participant of outstanding Awards, including but not limited to, the substitution of new Awards or for any Awards then outstanding, the assumption of any such Awards and the termination of or payment for such Awards. Notwithstanding the foregoing, no Award may be terminated unless the Award is fully vested as of such date and the Participant is paid the value thereof.

5.5 Interpretation and Regulations. The Board of Directors of the Company shall have the power to provide regulations for administration of the Plan by the Committee and to make any changes in such guidelines as from time to time the Board may deem necessary. The Committee shall have the sole power to determine, solely for purposes of the Plan and this Agreement, the date of and circumstances which shall constitute a cessation or termination of employment and whether such cessation or termination is the result of retirement, death, disability or termination without cause or any other reason, and further to determine, solely for purposes of the Plan and this Agreement, what constitutes continuous employment with respect to the delivery of Shares under the Grant Agreement (except that leaves of absence approved by the Committee or transfers of employment among the subsidiaries of the Company shall not be considered an interruption of continuous employment for any purpose under the Plan). Notwithstanding anything herein or in the Plan to the contrary, any interpretation of terms used in the Employment Agreement shall be resolved in accordance with the dispute mechanisms therein and shall bind the Company and the Participant.

5.6 Reservation of Rights. If at any time counsel for the Company determines that qualification of the Shares under any state or federal securities law, or the consent or approval of any governmental regulatory authority, is necessary or desirable as a condition of the executing an Award or benefit under the Plan, then such action may not be taken, in whole or in part, unless and until such qualification, registration, consent or approval shall have been effected or obtained free of any conditions such counsel deems unacceptable.

5.7 [RESERVED]

5.8 Withholding of Taxes. To the extent that the Company is required to withhold taxes in compliance with any federal, state, local or foreign law in connection with any payment made or benefit realized by a Participant or other person under this Award, it shall be a condition to the receipt of such payment or the realization of such benefit that the Participant or such other person make arrangements satisfactory to the Company for the payment of all such taxes required to be withheld. Such arrangements shall include relinquishment of a portion of such payment or benefit, and in the event the Participant has not made any such arrangements, such relinquishment shall be automatic.

5.9 Waiver. The failure of the Company to enforce at any time any terms or conditions of this Agreement shall not be construed to be a waiver of such terms or conditions or of any other provision. Any waiver or modification of the terms or conditions of this Agreement shall only be effective if reduced to writing and signed by both Participant and an officer of the Company.

5.10 Incorporation. The terms and conditions of this Grant Agreement are authorized by the Compensation Committee of the Board of Directors of H&R Block, Inc.

5.11 Notices. Any notice to be given to the Company or election to be made under the terms of this Agreement shall be addressed to the Company (Attention: Long-Term Incentive Department) at One H&R Block Way, Kansas City Missouri 64105 or at such other address as the Company may hereafter designate in writing to the Participant. Any notice to be given to the Participant shall be addressed to the Participant at the last address of record with the Company or at such other address as the Participant may hereafter designate in writing to the Company. Any such notice shall be deemed to have been duly given when deposited in the United States mail via regular or certified mail, addressed as aforesaid, postage prepaid.

5.12 Choice of Law. This Grant Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Missouri without reference to principles of conflicts of laws.

5.13 Choice of Forum and Jurisdiction. Participant and Company agree that any proceedings to enforce the obligations and rights under this Grant Agreement must be brought in Missouri District Court located in Jackson County, Missouri, or in the United States District Court for the Western District of Missouri in Kansas City, Missouri. Participant and Company agree and submit to personal jurisdiction in either court. Participant and Company further agree that this Choice of Forum and Jurisdiction is binding on all matters related to Awards under the Plan and may not be altered or amended by any other arrangement or agreement (including an employment agreement) without the express written consent of Participant and H&R Block, Inc.

5.14 [RESERVED]

5.15 Relationship of the Parties. Participant acknowledges that this Grant Agreement is between H&R Block, Inc. and Participant. Participant further acknowledges that H&R

Block, Inc. is a holding company and that Participant is not an employee of H&R Block, Inc.

5.16 Headings. The section headings herein are for convenience only and shall not be considered in construing this Agreement.

5.17 Amendment. No amendment, supplement, or waiver to this Agreement is valid or binding unless in writing and signed by both parties.

5.18 Execution of Agreement. This Agreement shall not be enforceable by either party, and Participant shall have no rights with respect to the Long Term Incentive Award, unless and until it has been (1) signed by Participant and on behalf of the Company by an officer of the Company, provided that the signature by such officer of the Company on behalf of the Company may be a facsimile or stamped signature, and (2) returned to the Company.

5.19 Conflicts. To the extent there is any conflict between this Agreement and the Employment Agreement, the Employment Agreement shall control.

In consideration of said Award and the mutual covenants contained herein, the parties agree to the terms set forth above.

The parties hereto have executed this Grant Agreement.

Associate Name: William C. Cobb

Date Signed:

H&R BLOCK, INC.

By: /s/ Tammy Serati
Name: Tammy Serati
Title: Senior Vice President, Human Resources

Exhibit 10.5

H&R BLOCK, INC.
2003 LONG-TERM EXECUTIVE COMPENSATION PLAN
GRANT AGREEMENT

This Grant Agreement is entered into by and between H&R Block, Inc., a Missouri corporation (the "Company"), and William C. Cobb ("Participant").

WHEREAS, the Company provides certain incentive awards to key employees of subsidiaries of the Company under the H&R Block, Inc. 2003 Long-Term Executive Compensation Plan (the "Plan"); and

WHEREAS, receipt of such Awards under the Plan are conditioned upon a Participant's execution of a Grant Agreement within 180 days of May 2, 2011, wherein Participant agrees to abide by certain terms and conditions authorized by the Compensation Committee of the Board of Directors.

NOW THEREFORE, in consideration of the parties promises and agreements set forth in this Grant Agreement, the sufficiency of which the parties hereby acknowledge,

IT IS AGREED AS FOLLOWS:

1. Definitions. Whenever a term is used in this Grant Agreement ("Agreement"), the following words and phrases shall have the meanings set forth below unless the context plainly requires a different meaning, and when a defined meaning is intended, the term is capitalized.

1.1 Code. Code means the Internal Revenue Code of 1986, as amended.

1.2 Committee. Committee means the Compensation Committee of the Board of Directors for H&R Block, Inc.

1.3 Common Stock. Common Stock means the common stock, without par value, of the Company.

1.4 Company. Company means H&R Block, Inc., a Missouri corporation, and, unless the context otherwise requires, includes its "subsidiary corporations" (as defined in Section 424(f) of the Internal Revenue Code) and their respective divisions, departments and subsidiaries and the respective divisions, departments and subsidiaries of such subsidiaries.

1.5 Closing Price. Closing Price shall mean the last reported market price for one share of Common Stock, regular way, on the New York Stock Exchange (or any successor exchange or stock market on which such last reported market price is reported) on the day in question. In the event the exchange is closed on the day on which Closing Price is to be determined or if there were no sales reported on such date, Closing Price shall be computed as of the last date preceding such date on which the exchange was open and a sale was reported.

1.6 Fair Market Value. Fair Market Value ("FMV") means the Closing Price for one share of H&R Block, Inc. Stock.

1.7 Stock Option. Stock Option means the right to purchase, upon exercise of a stock option granted under the Plan, shares of the Company's Common Stock. A Stock Option may be an Incentive Stock Option which meets the requirements of Code Section 422(b) or a Nonqualified Stock Option. The right and option to purchase shares of Common Stock identified as subject to Nonqualified Stock Option shall not constitute and shall not be treated for any purpose as an "incentive stock option," as such term is defined in the Code.

2. Stock Option.

2.1 Grant of Stock Option. As of May 2, 2011 (the "Grant Date"), the Company grants the Participant the right and option to purchase 606,470 shares of Common Stock (this "Stock Option") identified as non-qualified stock options.

2.2 Option Price. The Price per share of Common Stock subject to this Stock Option is $17.48, which is the Closing Price on the Grant Date.

2.3 Vesting. This Stock Option shall vest and become exercisable in installments with regard to the percentage of the number of shares of Common Stock subject to this Stock Option indicated next to each vesting date set forth in the table below provided that the Participant remains continuously employed by the Company through such date:

Vesting Date	Percent of Shares Subject to this Stock Option Vesting on Such Vesting Date
December 24, 2011	33%
December 24, 2012	33%
December 24, 2013	34%

(Note: If the percentage of the aggregate number of shares of Common Stock subject to this Stock Option scheduled to vest on a vesting date is not a whole number of shares, then the amount vesting shall be rounded down to the nearest whole number of shares for each vesting date, except that the amount vesting on the final vesting date shall be such that 100% of the aggregate number of shares of Common Stock subject to this Stock Option shall be cumulatively vested as of the final vesting date.)

2.4 Acceleration of Vesting. Notwithstanding anything herein to the contrary, the acceleration of the vesting of this Stock Option shall occur in accordance with the terms and conditions of that certain Employment Agreement dated April 27, 2011, between Participant and H&R Block Management, LLC (the "Employment Agreement").

2.5 Term of Option. No Stock Option granted under this Grant Agreement may be exercised after May 2, 2021. Except as provided in the Employment Agreement, all Stock

Options shall terminate when the Participant ceases, for whatever reason, to be an employee of any of the subsidiaries of the Company.

2.6 Participant's Death. In the event the Participant ceases to be an employee of any of the subsidiaries of the Company because of death, the Participant's rights under the Stock Option shall pass by the Participant's will or laws of descent and distribution.

2.7 Exercise of Stock Option. The Stock Option granted under the Plan shall be exercisable from time to time by the Participant by giving notice of exercise to the Company, in the manner specified by the Company, specifying the number of whole shares to be purchased, and accompanied by full payment of the purchase price. The right to purchase shall be cumulative, so that the full number of shares of Common Stock that become purchasable at any time need not be purchased at such time, but may be purchased at any time or from time to time thereafter (but prior to the termination of the Stock Option).

2.8 Payment of the Option Price. Full payment of the Option Price for shares purchased shall be made at the time the Participant exercises the Stock Option. Payment of the aggregate Option Price may be made in (a) cash, (b) by delivery of Common Stock (with a value equal to the Closing Price of Common Stock on the last trading date preceding the date on which the Stock Option is exercised), or (c) a combination thereof. Payment shall be made only in cash unless at least six months have elapsed between the date of Participant's acquisition of each share of Common Stock delivered by Participant in full or partial payment of the aggregate Option Price and the date on which the Stock Option is exercised.

2.9 No Shareholder Privileges. Neither the Participant nor any person claiming under or through him or her shall be, or have any of the rights or privileges of, a shareholder of the Company with respect to any of the Common Stock issuable upon the exercise of this Stock Option, unless and until certificates evidencing such shares of Common Stock shall have been duly issued and delivered.

3. [RESERVED]

4. Non-Transferability of Awards. Any Stock Option (including all rights, privileges and benefits conferred under such Award) shall not be transferred, assigned, pledged, or hypothecated in any way (whether by operation of law or otherwise) and shall not be subject to sale under execution, attachment or similar process. Upon any attempt to transfer, assign, pledge, hypothecate, or otherwise dispose of any Stock Option, or of any right or privilege conferred hereby, contrary to the provisions hereof, or upon any attempted sale under any execution, attachment, or similar process upon the rights and privileges hereby granted, then and in any such event such Award and the rights and privileges hereby granted shall immediately become null and void.

5. Miscellaneous.

5.1 No Employment Contract. This Agreement does not confer on the Participant any right to continued employment for any period of time, is not an employment contract, and

shall not in any manner modify any effective contract of employment between the Participant and any subsidiary of the Company.

5.2 [RESERVED]

5.3 Adjustment of Shares. If there shall be any change in the capital structure of the Company, including but not limited to a change in the number or kind of the outstanding shares of the Common Stock resulting from a stock dividend or split-up, or combination or reclassification of such shares (or of any stock or other securities into which shares shall have been changed, or for which they shall have been exchanged), then the Board of Directors of the Company shall make such equitable adjustments with respect to the Stock Option, or any other provisions of the Plan, as it deems necessary or appropriate to prevent dilution or enlargement of the Stock Option rights hereunder or of the shares subject to this Stock Option.

5.4 Merger, Consolidation, Reorganization, Liquidation, etc. If the Company shall become a party to any corporate merger, consolidation, major acquisition of property for stock, reorganization, or liquidation, the Board of Directors shall, acting in its absolute and sole discretion, make such arrangements, which shall be binding upon the Participant of outstanding Awards, including but not limited to, the substitution of new Awards or for any Awards then outstanding, the assumption of any such Awards and the termination of or payment for such Awards. Notwithstanding the foregoing, the Stock Option may be terminated unless the Stock Option is fully vested as of such date and the Participant is either paid the value thereof or given a reasonable opportunity to exercise the Stock Option in full.

5.5 Interpretation and Regulations. The Board of Directors of the Company shall have the power to provide regulations for administration of the Plan by the Committee and to make any changes in such guidelines as from time to time the Board may deem necessary. The Committee shall have the sole power to determine, solely for purposes of the Plan and this Agreement, the date of and circumstances which shall constitute a cessation or termination of employment and whether such cessation or termination is the result of retirement, death, disability or termination without cause or any other reason, and further to determine, solely for purposes of the Plan and this Agreement, what constitutes continuous employment with respect to the exercise of Stock Option or delivery of Shares under the Plan (except that leaves of absence approved by the Committee or transfers of employment among the subsidiaries of the Company shall not be considered an interruption of continuous employment for any purpose under the Plan). Notwithstanding anything herein or in the Plan to the contrary, any interpretation of terms used in the Employment Agreement shall be resolved in accordance with the dispute mechanisms therein and shall bind the Company and the Participant.

5.6 Reservation of Rights. If at any time counsel for the Company determines that qualification of the Shares under any state or federal securities law, or the consent or approval of any governmental regulatory authority, is necessary or desirable as a condition of the executing an Award or benefit under the Plan, then such action may not be taken, in whole or in part, unless and until such qualification, registration, consent or

approval shall have been effected or obtained free of any conditions such counsel deems unacceptable.

5.7 [RESERVED]

5.8 Withholding of Taxes. To the extent that the Company is required to withhold taxes in compliance with any federal, state, local or foreign law in connection with any payment made or benefit realized by a Participant or other person under this Award, it shall be a condition to the receipt of such payment or the realization of such benefit that the Participant or such other person make arrangements satisfactory to the Company for the payment of all such taxes required to be withheld. Such arrangements shall include relinquishment of a portion of such payment or benefit, and in the event the Participant has not made any such arrangements, such relinquishment shall be automatic.

5.9 Waiver. The failure of the Company to enforce at any time any terms or conditions of this Agreement shall not be construed to be a waiver of such terms or conditions or of any other provision. Any waiver or modification of the terms or conditions of this Agreement shall only be effective if reduced to writing and signed by both Participant and an officer of the Company.

5.10 Incorporation. The terms and conditions of this Grant Agreement are authorized by the Compensation Committee of the Board of Directors of H&R Block, Inc.

5.11 Notices. Any notice to be given to the Company or election to be made under the terms of this Agreement shall be addressed to the Company (Attention: Long-Term Incentive Department) at One H&R Block Way, Kansas City Missouri 64105 or at such other address as the Company may hereafter designate in writing to the Participant. Any notice to be given to the Participant shall be addressed to the Participant at the last address of record with the Company or at such other address as the Participant may hereafter designate in writing to the Company. Any such notice shall be deemed to have been duly given when deposited in the United States mail via regular or certified mail, addressed as aforesaid, postage prepaid.

5.12 Choice of Law. This Grant Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Missouri without reference to principles of conflicts of laws.

5.13 Choice of Forum and Jurisdiction. Participant and Company agree that any proceedings to enforce the obligations and rights under this Grant Agreement must be brought in Missouri District Court located in Jackson County, Missouri, or in the United States District Court for the Western District of Missouri in Kansas City, Missouri. Participant and Company agree and submit to personal jurisdiction in either court. Participant and Company further agree that this Choice of Forum and Jurisdiction is binding on all matters related to Awards under the Plan and may not be altered or amended by any other arrangement or agreement (including an employment agreement) without the express written consent of Participant and H&R Block, Inc.

5.14 [RESERVED]

5.15 Relationship of the Parties. Participant acknowledges that this Grant Agreement is between H&R Block, Inc. and Participant. Participant further acknowledges that H&R Block, Inc. is a holding company and that Participant is not an employee of H&R Block, Inc.

5.16 Headings. The section headings herein are for convenience only and shall not be considered in construing this Agreement.

5.17 Amendment. No amendment, supplement, or waiver to this Agreement is valid or binding unless in writing and signed by both parties.

5.18 Execution of Agreement. This Agreement shall not be enforceable by either party, and Participant shall have no rights with respect to the Long Term Incentive Award, unless and until it has been (1) signed by Participant and on behalf of the Company by an officer of the Company, provided that the signature by such officer of the Company on behalf of the Company may be a facsimile or stamped signature, and (2) returned to the Company.

5.19 Conflicts. To the extent there is any conflict between this Agreement and the Employment Agreement, the Employment Agreement shall control.

In consideration of said Award and the mutual covenants contained herein, the parties agree to the terms set forth above.

The parties hereto have executed this Grant Agreement.

Associate Name: William C. Cobb

Date Signed:

H&R BLOCK, INC.

By: /s/ Tammy Serati
Name: Tammy Serati
Title: Senior Vice President, Human Resources

Exhibit 31.1

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, William C. Cobb, 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 principles;

(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 fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 1, 2011

/s/ William C. Cobb
William C. Cobb
Chief Executive Officer
H&R Block, Inc.

Exhibit 31.2

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Jeffrey T. Brown, 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 principles;

(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 fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 1, 2011

/s/ Jeffrey T. Brown
Jeffrey T. Brown
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 July 31, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, William C. Cobb, 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/ William C. Cobb
William C. Cobb
Chief Executive Officer
H&R Block, Inc.
September 1, 2011

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 July 31, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jeffrey T. Brown, 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/ Jeffrey T. Brown
Jeffrey T. Brown
Senior Vice President and
Chief Financial Officer
H&R Block, Inc.
September 1, 2011