

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (date of earliest event reported): April 19, 2006

H&R BLOCK, INC.

(Exact name of registrant as specified in charter)

Missouri
(State of Incorporation)

1-6089
(Commission File Number)

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

4400 Main Street, Kansas City, MO **64111**
(Address of Principal Executive Offices) (Zip Code)

(816) 753-6900
(Registrant's telephone number, including area code)

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

Item 1.01 Entry into a Material Definitive Agreement

On April 19, 2006, H&R Block, Inc. (the "Company") entered into a settlement agreement regarding litigation entitled *Lynne A. Carnegie, et al. v. Household International, Inc., H&R Block, Inc., et al.*, (the "Carnegie Settlement Agreement"). The *Carnegie* litigation pertains to the Company's refund anticipation loan ("RAL") programs as reported in previous current reports on Form 8-K, quarterly reports on Form 10-Q and annual reports on Form 10-K.

The parties to the Carnegie Settlement Agreement include (i) Lynne A. Carnegie, on behalf of herself and the settlement class; (ii) the Company, H&R Block Services, Inc., H&R Block Tax Services, Inc., Block Financial Corporation, HRB Royalty, Inc. and H&R Block Eastern Enterprises, Inc. (collectively, the "Block Parties"); and (iii) HSBC Finance Corporation, HSBC Taxpayer Financial Services Inc. and Beneficial Franchise Company Inc. (collectively, the "Household Parties"). The Block Parties and the Household Parties are parties to various agreements pertaining to the Company's RAL programs as reported in the Company's annual report on Form 10-K/A for the fiscal year ended April 30, 2005, which is incorporated herein by reference.

Pursuant to the Carnegie Settlement Agreement's terms, the Block Parties and the Household Parties will equally contribute a total of \$39 million in cash for purposes of making payments to the settlement class, paying all attorneys' fees and costs to class counsel, incentive payment awards to plaintiff and all notice and administration costs.

The Carnegie Settlement Agreement covers RALs that were funded by Beneficial National Bank and offered through H&R Block offices from April 8, 1994 through December 31, 1996 (the "Class Period"). The settlement class consists of approximately 1.7 million class members who made approximately 2 million individual RAL transactions during the Class Period.

The Carnegie Settlement Agreement is contingent upon receiving applicable court approval.

A copy of the press release issued by the parties on April 19, 2006 is furnished with this Form 8-K as Exhibit 99.1.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

| <u>Exhibit Number</u> | <u>Description</u> |
|-----------------------|--|
| 99.1 | Press Release, dated April 19, 2006, entitled "Parties Reach RAL Settlement Agreement" |

SIGNATURES

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

H&R BLOCK, INC.

Date: April 20, 2006

By: /s/ Nicholas J. Spaeth
Nicholas J. Spaeth
Senior Vice President, Chief Legal Officer

EXHIBIT INDEX

[Exhibit 99.1](#) Press Release issued April 19, 2006—“Parties Reach RAL Settlement Agreement.”

News Release

PARTIES REACH RAL SETTLEMENT AGREEMENT

CHICAGO, Ill., April 19, 2006. Plaintiff class representative Lynne A. Carnegie has reached an agreement with H&R Block, Inc. (NYSE:HRB) and Beneficial National Bank, for itself and its successors, that would settle a 1998 Chicago class action lawsuit related to refund anticipation loans (RALs).

The proposed \$39 million settlement, which would be paid equally by Beneficial National Bank and H&R Block, was filed today in an action that has been pending in the U.S. District Court for the Northern District of Illinois under the caption *Carnegie v. Household International, Inc., et al.* The proposed settlement would cover RALs that had been funded by Beneficial National Bank and offered through an H&R Block office from April 8, 1994 through December 31, 1996. Overall, the proposed nationwide settlement would make available cash payments to approximately 1.7 million class members who made approximately 2 million individual RAL transactions.

The proposed settlement makes at least \$30 million cash available to the class. Class members who submit valid timely claims will receive a cash payment for each RAL. The amount per RAL will depend on the number of claims to be paid. The remainder of the settlement fund would be used to reimburse plaintiff's counsel for the costs of the litigation and pay their fees, and also cover costs associated with mailing and publishing the class notice and administering the settlement.

The proposed settlement is subject to the review and approval of U.S. District Judge Elaine Bucklo. If Judge Bucklo grants preliminary approval of the settlement, then the parties anticipate that notices will be mailed to class members within 45 days thereafter. Class members would have the right to exclude themselves from the settlement, subject to certain limitations, or to object to its terms at a fairness hearing that would be held later in 2006.

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Media Contacts:

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Peter Linden, Esquire, 888-529-4787 – For Plaintiffs

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