

Exhibit

139

H&R BLOCK INC (HRB)

10-K

Annual report pursuant to section 13 and 15(d)

Filed on 06/29/2009

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

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE

ACT OF 1934

For the fiscal year ended April 30, 2009

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE

ACT OF 1934

For the transition period from to

Commission file number 1-6089

**H&R BLOCK****H&R Block, Inc.**

(Exact name of registrant as specified in its charter)

MISSOURI(State or other jurisdiction of
incorporation or organization)**44 0607856**

(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)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, without par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, without par value
(Title of Class)

Indicate by check mark whether the registrant is a well known seasoned issuer as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

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 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10 K or any amendment to this Form 10 K.

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 aggregate market value of the registrant's Common Stock (all voting stock) held by non affiliates of the registrant, computed by reference to the price at which the stock was sold on October 31, 2008, was \$6,539,980,861.

Number of shares of the registrant's Common Stock, without par value, outstanding on May 31, 2009: 334,140,455.

Documents incorporated by reference

The definitive proxy statement for the registrant's Annual Meeting of Shareholders, to be held September 10, 2009, is incorporated by reference in Part III to the extent described therein.



2009 FORM 10-K AND ANNUAL REPORT
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Specified portions of our proxy statement, which will be filed in July 2009, are listed as "incorporated by reference" in response to certain items. Our proxy statement will be made available to shareholders in July 2009, and will also be available on our website at www.hrblock.com.

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 they are 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.

PART I**ITEM 1. BUSINESS****GENERAL DEVELOPMENT OF BUSINESS**

H&R Block, Inc. has subsidiaries that provide tax, retail banking, accounting and business consulting services and products. Our Tax Services segment primarily consists of our income tax preparation businesses – retail, online and software. These businesses serve the general public in the United States (U.S.), Canada and Australia. Additionally, this segment includes commercial tax businesses, which provide tax preparation software to certified public accountants (CPAs) and other tax preparers in the U.S. Our Business Services segment consists of a national accounting, tax and business consulting firm primarily serving middle market companies under the RSM McGladrey, Inc. (RSM) brand. Our Consumer Financial Services segment is engaged in retail banking through H&R Block Bank (HRB Bank).

H&R Block, Inc. was organized as a corporation in 1955 under the laws of the State of Missouri. "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. A complete list of our subsidiaries can be found in Exhibit 21.

DISCONTINUED OPERATIONS – Effective November 1, 2008, we sold H&R Block Financial Advisors, Inc. (HRBFA) to Ameriprise Financial, Inc. (Ameriprise). We received cash proceeds, net of selling costs, of \$304.0 million and repayment of \$46.6 million in intercompany liabilities. At April 30, 2009, HRBFA and its direct corporate parent are presented as discontinued operations in the consolidated financial statements. All periods presented have been reclassified to reflect our discontinued operations. See additional discussion in Item 8, note 19 to our consolidated financial statements.

Our discontinued operations also include the wind down of our mortgage loan origination business and the sale of our mortgage loan servicing business in the prior year. Also included in the prior years are the results of three smaller lines of business previously reported in our Business Services segment.

ISSUANCE OF COMMON STOCK – In October 2008, we sold 8.3 million shares of our common stock, without par value, at a price of \$17.50 per share in a registered direct offering through subscription agreements with selected institutional investors. We received net proceeds of \$141.4 million, after deducting placement agent fees and other offering expenses. The purpose of the equity offering was to ensure we maintained adequate equity levels, as a condition of certain borrowings, during our off season. Proceeds were used for general corporate purposes.

FINANCIAL INFORMATION ABOUT INDUSTRY SEGMENTS

See discussion below and in Item 8, note 20 to our consolidated financial statements.

DESCRIPTION OF BUSINESS**TAX SERVICES**

GENERAL – Our Tax Services segment is primarily engaged in providing tax return preparation and related services and products in the U.S. and its territories, Canada and Australia. Major revenue sources include fees earned for tax preparation services performed at company owned retail tax offices, royalties from franchise retail tax offices, sales of tax related services, sales of tax preparation and other software, online tax preparation fees,

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participation in refund anticipation loans (RALs) and Emerald Advance lines of credit. Segment revenues constituted 74.3% of our consolidated revenues from continuing operations for fiscal year 2009, 73.1% for 2008 and 72.4% for 2007.

Retail income tax return preparation and related services are provided by tax professionals via a system of retail offices operated directly by us or by franchisees. We also offer our services through seasonal offices located inside major retailers.

TAX RETURNS PREPARED – We, together with our franchisees, prepared approximately 24.0 million tax returns worldwide during fiscal year 2009, compared to 24.6 million in 2008 and 24.0 million in 2007. We prepared 21.1 million tax returns in the U.S. during fiscal year 2009, down from 21.8 million in 2008 and 21.5 million in 2007. Our U.S. tax returns prepared, including those prepared and filed at no charge, for the 2009 tax season constituted 15.8% of an Internal Revenue Service (IRS) estimate of total individual income tax returns filed during the fiscal year 2009 tax season. This compares to 16.2% in the 2008 tax season, excluding tax returns filed as a result of the Economic Stimulus Act of 2008 (Stimulus Act), and 16.5% in 2007.

FRANCHISES – We offer franchises as a way to expand our presence in the market. Our franchise arrangements provide us with certain rights designed to protect our brand. Most of our franchisees receive use of our software, access to product offerings and expertise, signs, specialized forms, local advertising, initial training and supervisory services, and pay us a percentage, typically approximately 30%, of gross tax return preparation and related service revenues as a franchise royalty.

From time to time, we have acquired the territories of existing franchisees and other tax return preparation businesses, and may continue to do so if future conditions warrant and satisfactory terms can be negotiated. During fiscal year 2009, we acquired the assets and franchise rights of our last major independent franchise operator for an aggregate purchase price of \$279.2 million. Results of the acquisition are included in our consolidated financial statements at April 30, 2009. See Item 8, note 2 to our consolidated financial statements for additional information.

We have also initiated a program to optimize our retail tax office network, including the mix of franchised and company owned offices. During fiscal year 2009 we sold certain offices to existing franchisees for sales proceeds totaling \$16.9 million. The net gain on these transactions totaled \$14.9 million. We expect to continue this program in the coming years. The extent to which we rebrand offices will depend upon ongoing analysis regarding the optimal mix of offices for our network, including geographic location, as well as our ability to identify qualified franchisees.

OFFICES – A summary of our company owned and franchise offices is as follows:

April 30,	2009	2008	2007
U.S. OFFICES:			
Company owned offices	7,029	6,835	6,669
Company owned shared locations ⁽¹⁾	1,542	1,478	1,488
Total company owned offices	8,571	8,313	8,157
Franchise offices	3,565	3,812	3,784
Franchise shared locations ⁽¹⁾	787	913	843
Total franchise offices	4,352	4,725	4,627
	12,923	13,038	12,784
INTERNATIONAL OFFICES:			
Canada	1,193	1,143	1,070
Australia	378	366	360
	1,571	1,509	1,430

(1) Shared locations include offices located within Sears, Wal Mart or other third party businesses.

The acquisition of our last major independent franchise operator included a network of over 600 tax offices, nearly two thirds of which converted to company owned offices upon the closing of the transaction, as reflected in the table above.

Offices in shared locations at April 30, 2009, include 722 offices in Sears stores operated as "H&R Block at Sears" and 1,030 offices operated in Wal Mart stores. The Sears license agreement expires in July 2010. The Wal Mart agreement expired in May 2009, and the related offices have been closed.

During fiscal year 2007, we acquired ExpressTax, a national franchisor of tax preparation businesses, for an aggregate cash purchase price of \$5.7 million. This acquisition added 249 offices to our network, which continue to operate under the ExpressTax brand. There are currently 368 offices operating under the ExpressTax brand.

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SERVICE AND PRODUCT OFFERINGS – We offer a number of digital tax preparation alternatives. TaxCut® from H&R Block enables do it yourself users to prepare their federal and state tax returns easily and accurately. Our software products may be purchased through third party retail stores, direct mail or online.

We also offer our clients many online options: multiple versions of do it yourself tax preparation; professional tax review; tax advice; and tax preparation through a tax professional, whereby the client completes a tax organizer and sends it to a tax professional for preparation and/or signature.

By offering professional and do it yourself tax preparation options through multiple channels, we seek to serve our clients in the manner they choose to be served.

We also offer clients a number of options for receiving their income tax refund, including a check directly from the IRS, an electronic deposit directly to their bank account, a prepaid debit card, a refund anticipation check (RAC) or a RAL.

The following are some of the services and products we offer in addition to our tax preparation service:

RALs. RALs are offered to our U.S. clients by a designated bank primarily through a contractual relationship with HSBC Holdings plc (HSBC). An eligible, electronic filing client may apply for a RAL at one of our offices. After meeting certain eligibility criteria, clients are offered the opportunity to apply for a loan from HSBC in amounts up to \$9,999 based on their anticipated federal income tax refund. We simultaneously transmit the income tax return information to the IRS and the lending bank. Within a few days after the filing date, the client receives a check, direct deposit or prepaid debit card in the amount of the loan, less the bank's transaction fee, our tax return preparation fee and other fees for client selected services. Additionally, qualifying electronic filing clients are eligible to receive their RAL proceeds, less applicable fees, in approximately one hour after electronic filing using the Instant Money service. A RAL is repaid when the IRS directly deposits the participating client's federal income tax refund into a designated account at the lending bank. See related discussion in "Loan Participations" below.

RACs. Refund Anticipation Checks are offered to U.S. clients who would like to either: (1) receive their refund faster and do not have a bank account for the IRS to direct deposit their refund; (2) have their tax preparation fees paid directly out of their refund; or (3) receive their refund faster but do not qualify for a RAL under the existing credit criteria. A RAC is not a loan and is provided through a contractual relationship with HSBC.

Peace of Mind (POM) Guarantee. The POM guarantee is offered to U.S. clients, in addition to our standard guarantee, whereby we (1) represent our clients if audited by the IRS, and (2) assume the cost, subject to certain limits, of additional taxes owed by a client resulting from errors attributable to one of our tax professionals' work. The POM program has a per client cumulative limit of \$5,000 in additional taxes assessed with respect to the federal, state and local tax returns we prepared for the taxable year covered by the program.

Emerald Advance Lines of Credit. Emerald Advance lines of credit are offered to clients in tax offices from mid November through early January, currently in an amount not to exceed \$1,000 (previously \$500). If the borrower meets certain criteria as agreed in the loan terms, the line of credit can be increased and utilized year round. These lines of credit are offered by HRB Bank.

H&R Block Prepaid Emerald Mastercard®. The H&R Block Prepaid Emerald MasterCard® allows a client to receive a tax refund from the IRS directly on a prepaid debit card, or to direct RAL or RAC proceeds to the card to avoid high cost check cashing fees. The card can be used for everyday purchases, bill payments and ATM withdrawals anywhere MasterCard® is accepted. Additional funds can be added to the card account year round through direct deposit or at participating retail locations. The H&R Block Prepaid Emerald MasterCard® is issued by HRB Bank.

Tax Return Preparation Courses. We offer income tax return preparation courses to the public, which teach students how to prepare income tax returns and provide us with a source of trained tax professionals.

Software Products. We develop and market TaxCut® income tax preparation software. TaxCut® offers a simple step by step tax preparation interview, data imports from money management software and tax preparation software, calculations, completion of the appropriate tax forms, checking for errors and electronic filing.

During fiscal year 2007, we acquired TaxWorks LLC and its affiliated entities, a provider of commercial tax preparation software targeting the independent tax preparer market. The primary software product, TaxWorks®, is designed for small to mid sized CPA firms who file tax returns for individuals and businesses. See Item 8, note 2 to our consolidated financial statements.

Online Tax Preparation. We offer a comprehensive range of online tax services, from tax advice to complete professional and do it yourself tax return preparation and electronic filing, through our websites at www.hrblock.com and www.taxcut.com. These websites allow clients to prepare their federal and state income tax returns using the TaxCut® Online Tax Program, access tax tips, advice and tax related news and use calculators for tax planning.

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We participate in the Free File Alliance (FFA). This alliance was created by the tax return preparation industry and the IRS, and allows qualified filers with adjusted gross incomes less than \$56,000 to prepare and file their federal return online at no charge. We feel this program provides a valuable public service and increases our visibility with new clients, while also providing an opportunity to offer our state return preparation and other services to these clients.

CashBack Program. We offer a refund discount (CashBack) program to our customers in Canada. In accordance with current Canadian regulations, if a customer's tax return indicates the customer is entitled to a tax refund, we issue a check to the client in the amount of the refund, less a discount. The client assigns to us the full amount of the tax refund to be issued by the Canada Revenue Agency (CRA) and the refund check is then sent by the CRA directly to us. In accordance with the law, the discount is deemed to include both the tax return preparation fee and the fee for tax refund discounting. This program is financed by short term borrowings. The number of returns discounted under the CashBack program in fiscal year 2009 was approximately 782,000, compared to 749,000 in 2008 and 670,000 in 2007.

LOAN PARTICIPATIONS – Since July 1996, we have been a party to agreements with HSBC and its predecessors to participate in RALs provided by a lending bank to H&R Block tax clients. During fiscal year 2006, we signed a new agreement with HSBC in which we obtained the right to purchase a 49.9% participation interest in all RALs obtained through our retail offices. We received a signing bonus from HSBC during fiscal year 2006 in connection with this agreement, which was recorded as deferred revenue and is earned over the contract term. The agreement is effective through June 2011 and we have extensions through 2013. Our purchases of the participation interests are financed through short term borrowings and we bear all of the credit risk associated with our participation interests. Revenue from our participation is calculated as the rate of participation multiplied by the fee paid by the borrower to the lending bank. Our RAL participation revenue was \$142.7 million, \$190.2 million and \$192.4 million in fiscal years 2009, 2008 and 2007, respectively.

SEASONALITY OF BUSINESS – Because most of our clients file their tax returns during the period from January through April of each year, substantially all of our revenues from income tax return preparation and related services and products are received during this period. As a result, our tax segment generally operates at a loss through the first eight months of the fiscal year. Peak revenues occur during the applicable tax season, as follows:

United States and Canada	January	April
Australia	July	October

COMPETITIVE CONDITIONS – The retail tax services business is highly competitive. There are a substantial number of tax return preparation firms and accounting firms offering tax return preparation services. Many tax return preparation firms and many firms not otherwise in the tax return preparation business are involved in providing electronic filing and RAL services to the public. Commercial tax return preparers and electronic filers are highly competitive with regard to price and service. In terms of the number of offices and personal tax returns prepared and electronically filed in offices, online and via our software, we believe we are the largest company providing direct tax return preparation and electronic filing services in the U.S. We also believe we operate the largest tax return preparation businesses in Canada and Australia.

Our digital tax solutions businesses compete with a number of companies. Intuit, Inc. is the largest supplier of tax preparation software and online tax preparation services. There are many smaller competitors in the online market, as well as free state sponsored online filing programs. Price and marketing competition for digital tax preparation services is increasing, including offers of free tax preparation services.

GOVERNMENT REGULATION – Federal legislation requires income tax return preparers to, among other things, set forth their signatures and identification numbers on all tax returns prepared by them and retain all tax returns prepared by them for three years. Federal laws also subject income tax return preparers to accuracy related penalties in connection with the preparation of income tax returns. Preparers may be prohibited from further acting as income tax return preparers if they continuously and repeatedly engage in specified misconduct.

The federal government regulates the electronic filing of income tax returns in part by requiring electronic filers to comply with all publications and notices of the IRS applicable to electronic filing. We are required to provide certain electronic filing information to the taxpayer and comply with advertising standards for electronic filers. We are also subject to possible monitoring by the IRS, penalties for improper disclosure or use of income tax return preparation, other preparer penalties and suspension from the electronic filing program.

The Gramm Leach Bliley Act and related Federal Trade Commission (FTC) regulations require income tax preparers to adopt and disclose consumer privacy policies, and provide consumers a reasonable opportunity to "opt out" of having personal information disclosed to unaffiliated third parties for marketing purposes. Some states have adopted or proposed strict "opt in" requirements in connection with use or disclosure of consumer