BLOCK FINANCIAL CORP
Form 424B2
January 10, 2008

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Filed pursuant to Rule 424(b)(2)
Registration No. 333-118020
Registration No. 333-118020-01

PROSPECTUS SUPPLEMENT

(To prospectus dated October 21, 2004)

$600,000,000

Block Financial LLC
7.875% Notes due 2013
Fully and Unconditionally Guaranteed by
H&R Block, Inc.

We will pay interest on the notes on January 15 and July 15 of each year, beginning July 15, 2008. The notes will mature on January 15, 2013. We may redeem some or all of the notes at any time at the redemption price described in this prospectus supplement. If we experience a change of control triggering event, we may be required to offer to purchase the notes from holders as described in this prospectus supplement. The interest rate payable on the notes will be subject to adjustments from time to time if either Moody s Investors Service, Inc. or Standard and Poor s Ratings Services downgrades (or subsequently upgrades) the debt rating assigned to the notes as described in this prospectus supplement. There is no sinking fund for the notes.

The notes will be unsecured obligations of Block Financial LLC and will rank equally with all of its other existing and future unsecured and unsubordinated senior indebtedness. The notes will be fully and unconditionally guaranteed by H&R Block, Inc. The guarantee will rank equally with all of H&R Block, Inc. s existing and future unsecured and unsubordinated senior indebtedness and guarantees. The notes will be issued in registered form only, in denominations of $2,000 and whole multiples of $1,000.

Investing in our notes involves risks. See Risk Factors beginning on page S-8 of this prospectus supplement for more information.

	Per Note	Total
Public offering price(1)	99.896%	$ 599,376,000
Underwriting discount	0.600%	$ 3,600,000
Proceeds, before expenses, to Block Financial LLC	99.296%	$ 595,776,000

(1) Plus accrued interest from January 11, 2008, if settlement occurs after that date

Neither the Securities and Exchange Commission nor any state securities commission or other regulatory body has approved or disapproved of these notes or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The notes will be ready for delivery in book-entry form only through The Depository Trust Company, Clearstream and Euroclear on or about January 11, 2008.

Joint Book-Running Managers

Merrill Lynch & Co. **JPMorgan** **HSBC**

The date of this prospectus supplement is January 8, 2008.

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You should rely only on the information contained in or incorporated by reference into this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that information contained in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference is accurate only as of their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This prospectus supplement relates to a prospectus which is part of a registration statement on Form S-3 that we filed with the Securities and Exchange Commission, or SEC, utilizing a shelf registration process. Under this shelf registration process, we may sell the debt securities described in the accompanying prospectus in one or more offerings up to the aggregate total amount stated therein. The accompanying prospectus provides you with a general description of the debt securities we may offer. This prospectus supplement contains specific information about the terms of this offering. This prospectus supplement may add, update or change information contained in the accompanying prospectus. If information in this prospectus supplement is inconsistent with the accompanying prospectus, you should rely on the information contained in this prospectus supplement. Please carefully read both this prospectus supplement and the accompanying prospectus in addition to the information described in this prospectus supplement in Incorporation of Information Filed with the SEC and How to Obtain More Information.

This prospectus supplement offers a series of notes to be issued by Block Financial LLC. Block Financial LLC is also referred to as Block Financial in this prospectus supplement. The notes are fully and unconditionally guaranteed by H&R Block, Inc. H&R Block, Inc. is also referred to as H&R Block in this prospectus supplement. Block Financial and H&R Block are collectively referred to as us or we in this prospectus supplement.

HOW TO OBTAIN MORE INFORMATION

H&R Block files annual, quarterly and interim reports, proxy and information statements and other information with the SEC. These filings contain important information, which does not appear in this prospectus supplement or the accompanying prospectus. The reports and other information can be inspected and copied at the public reference facilities maintained by the SEC at Room 1580, 100 F Street, N.E., Washington, D.C. 20549. Copies of this material can be obtained by mail from the Public Reference Section of the SEC at Room 1580, 100 F Street, N.E., Washington, D.C. 20549 at prescribed rates. The public may obtain information on the operation of the public reference room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet website (http://www.sec.gov) that contains reports, proxy and information statements and other materials that are filed through the SEC Electronic Data Gathering, Analysis and Retrieval (EDGAR) system.

We have filed with the SEC a registration statement on Form S-3 covering the securities offered by this prospectus supplement. You should be aware that this prospectus supplement does not contain all of the information contained or incorporated by reference in that registration statement and its exhibits and schedules. You may inspect and obtain the registration statement, including exhibits, schedules, reports and other information that we have filed with the SEC, as described in the preceding paragraph. Statements contained in this prospectus supplement concerning the contents of any document we refer you to are not necessarily complete and in each instance we refer you to the applicable document filed with the SEC for more complete information.

INCORPORATION OF INFORMATION FILED WITH THE SEC

The SEC allows us to incorporate by reference into this prospectus supplement and the accompanying prospectus the information we file with the SEC, which means we can disclose important information to you by referring to those documents. The information incorporated by reference is an important part of this prospectus supplement and the accompanying prospectus. We are incorporating by reference into this prospectus supplement the following documents filed with the SEC:

H&R Block s Annual Report on Form 10-K for the year ended April 30, 2007, as filed on June 29, 2007.

H&R Block s Quarterly Reports on Form 10-Q for the quarters ended July 31, 2007, as filed on September 6, 2007, and October 31, 2007, as filed on December 13, 2007.

H&R Block s Current Reports on Form 8-K filed on May 1, 2007, May 17, 2007, June 19, 2007, July 3, 2007, July 20, 2007, August 7, 2007, August 9, 2007 (as amended by our Amendment to Current Report filed on Form 8-K/A on September 11, 2007), August 13, 2007, August 22, 2007, September 25, 2007, October 3, 2007, October 15, 2007, October 25, 2007, November 1, 2007, November 8, 2007, November 19, 2007, November 23, 2007, November 27, 2007, November 29, 2007, December 4, 2007, December 21, 2007 and December 31, 2007.

H&R Block s Definitive Proxy Statement on Schedule 14A for H&R Block s 2007 Annual Meeting of Shareholders, as filed on July 30, 2007 and H&R Block s Definitive Proxy Statement on Schedule 14A for H&R Block s Special Meeting of Shareholders, as filed on November 21, 2007.

In addition, all documents filed by H&R Block under Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this prospectus supplement and prior to the termination of the offering of the securities covered by this prospectus supplement will be deemed incorporated by reference herein. Any statement contained herein or incorporated or deemed to be incorporated herein shall be deemed to be modified or superseded for purposes of this prospectus supplement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus supplement.

The following information contained in documents described above is not incorporated herein by reference: (i) information furnished under, and exhibits relating to, Items 2.02 and 7.01 of H&R Block s Current Reports on Form 8-K, unless such reports specifically provide for such incorporation, (ii) certifications accompanying or furnished in any such documents pursuant to Title 18, Section 1350 of the United States Code and (iii) any other information in such documents which is not deemed to be filed with the SEC under Section 18 of the Exchange Act or otherwise subject to the liabilities of that section (except the information in Part I of H&R Block s Quarterly Reports on Form 10-Q).

You can obtain documents incorporated by reference in this prospectus supplement or the accompanying prospectus and any other applicable offering materials (including exhibits that are specifically incorporated by reference in such documents) at no cost to you by requesting them in writing or by telephone from us at the following address:

H&R Block, Inc.
Attn: Investor Relations
One H&R Block Way
Kansas City, Missouri 64105
(800) 869-9220

H&R Block s SEC filings also are available through its Internet website at www.hrblock.com. The information on such website is not, and you must not consider the information to be, a part of this prospectus supplement or the accompanying prospectus.

As you read these documents, you may find some differences in information from one document to another. You should assume that the information appearing in the prospectus supplement or the accompanying prospectus is accurate only as of the date on their respective covers, and you should assume the information appearing in any document incorporated or deemed to be incorporated by reference in this prospectus supplement or the accompanying prospectus is accurate only as of the date that document was filed with the SEC. Our business, financial condition, results of operations and prospects may have changed since those dates.

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FORWARD-LOOKING STATEMENTS

This prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein may include forward-looking statements within the meaning of Section 27A of Securities Act of 1933, as amended, and Section 21E of the Exchange Act. Forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, as amended. All statements other than statements of historical fact may be deemed to be forward-looking statements. Examples of forward-looking statements include, but are not limited to:

projections of revenues, income or loss, earnings or loss per share, capital expenditures, the payment or non-payment of dividends, the repurchase of stock, capital structure and other financial items;

statements of plans and objectives of H&R Block s management or Board of Directors, including plans or objectives relating to products, services or business sales;

statements of future economic performance; and

statements of assumptions underlying the statements described in the above bullet points.

Forward-looking statements can often be identified by the use of forward-looking terminology, such as expects, anticipates, intends, plans, believes, seeks, estimates , may , will be and variations of these words and si expressions. Any forward-looking statement speaks only as of the date on which it is made and is qualified in its entirety by reference to the factors discussed throughout this prospectus supplement, the accompanying prospectus and in documents incorporated by reference. We do not undertake to update any forward-looking statement to reflect events or circumstances after the date on which it is made.

Forward-looking statements are not guarantees of future performance or results, and are subject to known and unknown risks and uncertainties. Forward looking statements necessarily are dependent on assumptions, data or methods that may be incorrect or imprecise. Actual results may vary materially and adversely from those anticipated in the forward-looking statements. Some of the factors that could cause actual results to differ include:

the effect of economic and market conditions, volatility in the non-prime mortgage industry and changes in interest rates;

our involvement in lawsuits;

changes in federal and state government regulations concerning the securities and banking industries in general;

changes in federal and state government regulations related to refund anticipation loans, privacy of client information, the practice of public accounting and auditor independence rules;

our ability to complete evaluations of internal controls and provide related certifications in accordance with various SEC rules;

the effect of changes in delinquency rates or collateral values relating to mortgage loans held for investment;

the risk that we may identify material deficiencies in our internal controls, and the risk that we may be unable to correct such deficiencies in a timely manner;

our ability to borrow in the future;

recent changes in our independent public accounting firm, which may result in changes in our financial reporting if our new auditor has a different interpretation with respect to our application of generally accepted accounting principles;

our ability to attract and retain experienced financial advisors;

our ability to regain compliance with Office of Thrift Supervision (OTS) regulatory capital requirements;

our ability to continue to facilitate the offering of refund anticipation loans;

increased competition for tax preparation clients in our retail offices, online and software channels;

delays by the Internal Revenue Service (IRS) in accepting certain electronically filed tax returns;

risk of loss resulting from inadequate or failed processes or systems, theft or fraud;

risks associated with the termination of the agreement to sell Option One Mortgage Corporation (OOMC);

risks associated with the termination of the origination activities of OOMC;

risks associated with the liquidity demands to fund servicing advances to loan pools serviced by OOMC;

risks associated with litigation and other contingent liabilities arising from OOMC s historical and ongoing operations;

risks associated with the failure to sell our remaining loan servicing business, including the risk of further impairment;

if a down grade in our credit ratings were to occur, the effect of such down grade on our liquidity, capital resources and cost of capital; and

other risks referenced from time to time in filings with the SEC and those factors listed or incorporated by reference into this prospectus supplement under Risk Factors.

Additional factors that could cause actual results to differ materially from those expressed in the forward-looking statements are discussed in H&R Block s reports filed with the SEC and incorporated by reference herein. See Incorporation of Information Filed with the SEC. In addition, other factors not identified could also have such an effect. We cannot give you any assurance that the forward-looking statements included or incorporated by reference in this prospectus supplement or the accompanying prospectus will prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements included or incorporated by reference in this prospectus supplement or the accompanying prospectus, you should not regard the inclusion of this information as a representation by us or any other person that the results or conditions described in those statements or objectives and plans will be achieved.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights information contained elsewhere or incorporated by reference in this prospectus supplement. Because this is a summary, it does not contain all the information that may be important to you. For a more complete understanding of our business and this offering, you should read the entire prospectus supplement and the accompanying prospectus and the documents incorporated by reference in this prospectus supplement, including our Risk Factors and financial statements.

H&R Block, Inc.

H&R Block was organized as a corporation in 1955 under the laws of the State of Missouri, and is a holding company with operating subsidiaries providing financial services and products to the general public.

H&R Block is a financial services company with subsidiaries providing tax, investment, mortgage, and accounting and business consulting services and products. H&R Block s Tax Services segment provides income tax return preparation and other services and products related to tax return preparation to the general public in the United States, Canada and Australia. H&R Block s Business Services segment is a non-attest national accounting, tax and business consulting firm primarily serving mid-sized businesses under the RSM McGladrey name. H&R Block s Consumer Financial Services segment offers brokerage services, along with investment planning and related financial advice, through H&R Block Financial Advisors and full-service banking through H&R Block Bank (HRB Bank). H&R Block s mortgage operations, which were primarily directed through Option One Mortgage Corporation (OOMC), have discontinued originating loans. The loan servicing operations are in the process of being offered for sale and all mortgage operations have been accounted for as discontinued operations.

H&R Block s principal executive office is located at One H&R Block Way, Kansas City, Missouri 64105. The telephone number for H&R Block s principal executive office is (816) 854-3000.

Block Financial LLC

Block Financial is an indirect wholly-owned subsidiary of H&R Block. Block Financial was incorporated in May 1992 for the purpose of issuing debt and developing and providing tax-related and technology-related financial services. Block Financial was converted to a Delaware limited liability company effective January 1, 2008. Block Financial s principal business activities include:

- purchasing participation interests in Refund Anticipation Loans or RALs made by a lending bank to H&R Block tax customers;
- servicing non-prime loans;
- providing brokerage services and investment planning services;
- offering equity lines of credit to H&R Block s tax preparation franchisees;
- issuing commercial paper and corporate debt obligations to finance our working capital needs;
- developing and marketing TaxCut income tax preparation software, H&R Block DeductionPro™, Kiplinger s Home and Business Attorney and Kiplinger s WILLPower℠ software products; and

full-service banking operations through HRB Bank.

Refund Anticipation Loans. Since July 1996, Block Financial has been a party to agreements with Household Tax Masters, Inc. (Household) and others to purchase participation interests in RALs provided by a lending bank to H&R Block tax clients. The July 1996 agreement was amended and restated in January 2003 and again in June 2003. In January 2003, Block Financial entered into an agreement with Household, whereby Block Financial waived its right to purchase any participation interests in and to receive fees related to RALs during the period January 1, through April 30, 2003. In the June 2003 agreement, Block Financial obtained the right to purchase a 49.9% participation interest in RALs obtained through offices owned by subsidiaries of H&R Block and a 25% interest in RALs obtained through major franchise offices. Pursuant to agreements entered into in September 2005 with HSBC Holdings plc (HSBC) (a successor to Household by acquisition) and certain affiliates of HSBC, Block Financial obtained the right to purchase a 49.999999% participation interest in RALs originated by HSBC or certain HSBC affiliates obtained through offices owned by subsidiaries of H&R Block and through franchise offices. Block Financial s purchases of the RAL participation interests are financed through short-term borrowings, and it bears all of the credit risk associated with its interests in the RALs.

H&R Block Financial Advisors, Inc. Block Financial provides brokerage services and investment planning through H&R Block Financial Advisors, Inc. Products and services offered to customers include traditional brokerage products, as well as annuities, insurance, fee-based accounts, online account access, equity research and focus lists, model portfolios, asset allocation strategies, and other investment tools and information.

Franchise Equity Lines of Credit. Block Financial offers to H&R Block s tax preparation franchisees lines of credit under a program designed to better enable the franchisees to refinance existing business debt, expand or renovate offices or meet off-season cash flow needs. A franchise equity loan is a revolving line of credit secured by the H&R Block franchise and underlying business.

H&R Block Bank. HRB Bank offers traditional consumer banking services, including checking and savings accounts, individual retirement accounts, certificates of deposit and prepaid debit card accounts. In 2007, HRB Bank offered the H&R Block Emerald Prepaid Debit Mastercard, a stored value card with the H&R Block brand name (the Emerald Card), through H&R Block retail tax offices. In late 2007, HRB Bank began offering through H&R Block retail tax offices the Emerald Advance Line of Credit, a unique revolving line of credit linked to the Emerald Card.

Non-Prime Mortgage Operations. Block Financial services non-prime loans through OOMC. Revenues consist primarily of servicing fee income. OOMC has discontinued originating loans and we are currently in the process of attempting to sell our mortgage servicing business. We are accounting for OOMC as a discontinued operation. There can be no assurance that we will be able to sell this business on terms acceptable to us.

Block Financial s principal executive office is located at One H&R Block Way, Kansas City, Missouri 64105. The telephone number for H&R Block s principal executive office is (816) 854-3000.

Recent Developments Discontinued Operations

On April 19, 2007, we entered into an agreement to sell OOMC to Cerberus Capital Management (Cerberus). In conjunction with this plan, we also announced we would terminate the operations of H&R Block Mortgage Corporation (HRBMC), a wholly-owned subsidiary of OOMC.

On December 4, 2007, we agreed to terminate the agreement with Cerberus in light of the changing business environment for OOMC, as mutually acceptable alternatives for restructuring the original agreement could not be reached. We are in the process of terminating all origination activities and we are pursuing the sale of OOMC s loan servicing activities.

Termination of the mortgage lending activities of OOMC is expected to result in a pretax restructuring charge of $74.8 million. The restructuring charge covers expected severance and lease termination costs, write-off of property, plant and equipment and related shutdown costs. Of the total restructuring charge, $34.9 million was incurred in our second quarter ending October 31, 2007, with the remainder to be incurred primarily in our third quarter ending

January 31, 2008. This charge, combined with the restructuring activities previously announced, brings our total restructuring charges for the three and six months ended October 31, 2007 to $61.0 million and $77.1 million, respectively.

Following the termination of its loan origination activities, OOMC will continue to carry out its servicing activities and collect servicing revenues as it does today. Because of the cessation of new originations, the volume of mortgage loans serviced will gradually decline as the aggregate principal amount of existing loans being serviced declines without replacement. The majority of OOMC s servicing activities are carried out with respect to loans owned by third parties.

We have estimated the fair values of the servicing business and other assets, which resulted in an additional asset impairment for the second quarter ending October 31, 2007 of $123.0 million, bringing our total impairment recorded in discontinued operations to $146.2 million for the six months ended October 31, 2007. Fair value estimates are subject to various assumptions and changing market conditions and, therefore, actual results may differ from our current estimates.

See discussion of operating results in the documents incorporated by reference herein.

Recent Developments Express IRA

On January 2, 2008, the Mississippi Attorney General filed an action concerning the Express IRA product in the Chancery Court of Hinds County, Mississippi, First Judicial District (Case No. G-2008-6) entitled *Jim Hood, Attorney General for the State of Mississippi, ex rel. the State of Mississippi v. H&R Block, Inc., et al.* This action asserts claims concerning the Express IRA product similar to those claims asserted in lawsuits previously disclosed by H&R Block in its Annual Report on Form 10-K and Quarterly Reports on Form 10-Q. We intend to defend this case vigorously, but there are no assurances as to its outcome.

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The Offering

The following is a brief summary of some of the terms of this offering. For a more complete description of the terms of the notes see Description of Notes in this prospectus supplement and Description of Debt Securities in the accompanying prospectus.

Issuer	Block Financial LLC, a Delaware limited liability company.
Guarantor	H&R Block, Inc., a Missouri corporation.
Notes offered	$600,000,000 initial principal amount of 7.875% notes due 2013, fully and unconditionally guaranteed by H&R Block.
Maturity Date	January 15, 2013, unless earlier redeemed by us at our option.
Interest payment dates	The 15th of January and July of each year, beginning July 15, 2008 to holders of record at the close of business on the preceding December 31 and June 30, respectively.
Interest rate adjustment	The interest rate payable on the notes will be subject to adjustments from time to time if either Moody s or S&P downgrades (or subsequently upgrades) the debt rating assigned to the notes as described under Description of Notes Interest Rate Adjustment .
Optional redemption	At our option, we may redeem any or all of the notes, in whole or in part, at any time as described under Description of Notes Optional Redemption .
Mandatory offer to repurchase	If we experience a Change of Control Triggering Event (as defined in this prospectus supplement), we will be required, unless we have exercised our right to redeem the notes, to offer to purchase the notes at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest. See Description of Notes Change of Control Triggering Event .
Ranking	The notes are unsecured obligations of Block Financial and will rank equally with all of its other existing and future unsecured and unsubordinated senior debt. The notes will be fully and unconditionally guaranteed on a senior unsecured basis by H&R Block. The guarantee will rank equally with H&R Block s existing and future unsecured and unsubordinated senior indebtedness and guarantees. The notes and the guarantee will be effectively junior to any secured debt of Block Financial or H&R Block, and effectively junior to liabilities of the subsidiaries of Block Financial or H&R Block. As of October 31, 2007, Block Financial had outstanding approximately $3.1 billion of liabilities ranking senior to the notes and approximately $2.5 billion of indebtedness ranking pari passu with the notes. As of the same date, H&R Block (excluding Block Financial) had outstanding

approximately $858.7 million of liabilities ranking senior to the guarantee of the notes and approximately $16.7 million of indebtedness ranking pari passu with the guarantee of the notes.

On a pro forma basis giving effect to this offering and the application of the net proceeds therefrom, as of October 31, 2007, Block Financial would have had outstanding approximately $3.1 billion

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	of liabilities ranking senior to the notes and approximately $2.7 billion of indebtedness, consisting of the notes and other indebtedness, ranking pari passu with the notes.
Covenants	We will issue the notes under an indenture containing covenants for your benefit. These covenants restrict our ability, with certain exceptions, to: merge or consolidate with another entity or transfer all or substantially all of our property and assets; and incur liens.
Additional notes	We may create and issue further notes ranking equally and ratably with the notes in all respects, so that such further notes will be consolidated and form a single series with the notes and will have the same terms as to status, redemption or otherwise as the notes.
Denomination and form	We will issue the notes in the form of one or more fully registered global notes registered in the name of the nominee of The Depository Trust Company, or DTC. Beneficial interests in the notes will be represented through book-entry accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in DTC. Clearstream Banking, société anonyme and Euroclear Bank, S.A./N.V., as operator of the Euroclear System, will hold interests on behalf of their participants through their respective U.S. depositaries, which in turn will hold such interests in accounts as participants of DTC. Except in the limited circumstances described in this prospectus supplement, owners of beneficial interests in the notes will not be entitled to have notes registered in their names, will not receive or be entitled to receive notes in definitive form and will not be considered holders of notes under the indenture. The notes will be issued only in denominations of $2,000 and integral multiples of $1,000 in excess thereof.
Designated trustee	Deutsche Bank Trust Company Americas.
Governing law	The notes, the guarantee and the indenture will be governed by New York law.
Use of proceeds	The net proceeds to us from the sale of the notes offered hereby are expected to be approximately $595,104,000 million, after deducting the underwriting discount and commissions and our estimated offering expenses. We intend to use the first $250 million of the net proceeds from this offering to repay the amount outstanding under an Amended and Restated Bridge Credit and Guarantee Agreement we entered into on December 20, 2007 with BNP Paribas. We intend to use the next $50 million of net proceeds from this offering for working capital, capital expenditures, repayment of other debt and other general corporate purposes. Seventy five percent of any additional net proceeds will be applied to repay the amount outstanding under an Amended and Restated

Bridge Credit and Guarantee Agreement we entered into on December 20, 2007 with HSBC Bank USA, National Association with the remainder being used for working capital, capital expenditures, repayment of other debt and other general corporate purposes. Pending such uses, we may temporarily invest the net proceeds in short-term

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	marketable securities. In our discretion, we may use all or a portion of the funds designated for general corporate purposes to repay the HSBC bridge facility. See Use of Proceeds .
Risk factors	Investing in our notes involves risks. See the Risk Factors section of this prospectus supplement, the Risk Factors section of the accompanying prospectus, the Risk Factors section of H&R Block s Annual Report on Form 10-K for the year ended April 30, 2007 and the Risk Factors section of H&R Block s Quarterly Reports on Form 10-Q for the quarters ended July 31, 2007 and October 31, 2007, together with all other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus, for a discussion of factors you should carefully consider before deciding to invest in the notes.

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Ratios of Earnings to Fixed Charges

The ratios of earnings to fixed charges for each of the fiscal years ended April 30, 2003 through 2007 and the six month period ended October 31, 2007 for H&R Block and Block Financial are set forth below. Due to the seasonal nature of our Tax Services and Business Services segments, the ratios of earnings to fixed charges for the six month period ended October 31, 2007 are not indicative of the ratios for the full fiscal year.

	Six Months Ended October 31,	Fiscal Year Ended April 30,				
	2007	2007	2006	2005	2004	2003
Block Financial LLC(a)		3.8	3.1	1.8		
H&R Block, Inc.(b)		3.7	3.9	4.2	4.0	2.2

The ratio of earnings to fixed charges is computed by dividing earnings by fixed charges. Earnings consist of earnings from continuing operations before income taxes plus fixed charges. Fixed charges consist of interest expense and the portion of operating rental expense management believes represents the interest component of rent expense.

(a) Fixed charges exceeded earnings by approximately $6.2 million for the six months ended October 31, 2007, approximately $24.7 million for the year ended April 30, 2004, and approximately $64.8 million for the year ended April 30, 2003.

(b) Fixed charges exceeded earnings by approximately $407.3 million for the six months ended October 31, 2007.

RISK FACTORS

Investing in our notes involves a risk of loss. In addition to the other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus, you should carefully consider the risks described below and in the Risk Factors section of H&R Block s Annual Report on Form 10-K for the year ended April 30, 2007 and in the Risk Factors section of H&R Block s Quarterly Reports on Form 10-Q for the quarters ended July 31, 2007 and October 31, 2007, all of which are incorporated by reference herein, before making an investment decision with respect to the notes.

Risks Relating to Our Business

Potential Sale Transaction We may be unsuccessful in selling OOMC, which could result in further impairments.

On April 19, 2007, we entered into an agreement to sell OOMC to Cerberus. In conjunction with this plan, we also announced we would terminate the operations of HRBMC.

On December 4, 2007, we agreed to terminate the agreement with Cerberus in light of the changing business environment for OOMC, as mutually acceptable alternatives for restructuring the original agreement could not be reached. We are in the process of terminating all origination activities and we are pursuing the sale of OOMC s loan servicing activities.

Following the termination of its loan origination activities, OOMC will continue to carry out its servicing activities and collect servicing revenues as it does today. Because of the cessation of new originations, the volume of mortgage loans serviced will gradually decline as the aggregate principal amount of existing loans being serviced declines without replacement. The majority of servicing activities are carried out with respect to loans owned by third parties.

We have estimated the fair values of the servicing business and other assets, which resulted in an additional impairment for the second quarter ending October 31, 2007 of $123.0 million. Although we are actively pursuing the sale of our remaining loan servicing activities, it is possible that we will be unsuccessful in selling or selling at a price that does not result in further impairment.

Liquidity and Capital We may not have enough capital to service our debt and to meet our future financing needs and may not be able to obtain additional financing, which could prevent us from meeting our obligations under the notes.

We use capital primarily to fund working capital requirements, pay dividends, share repurchases and acquire businesses.

Market conditions and recent credit-rating downgrades have negatively impacted our ability to issue commercial paper. As an alternative to commercial paper issuance, we have been borrowing under our unsecured revolving committed lines of credit (CLOCs) to support working capital requirements arising from off-season operating losses in our Tax Services and Business Services segments and operating losses from our mortgage businesses. We have borrowings totaling $1.8 billion outstanding under our CLOCs, out of a total borrowing capacity of $2.0 billion, as of the date of this prospectus supplement.

The CLOCs, among other things, require that we maintain at least $650.0 million of Adjusted Net Worth, as defined in each of the agreements, on the last day of any fiscal quarter. Before October 31, 2007, we initiated efforts to seek an amendment to the Minimum Net Worth Requirement (i) in light of the possibility that we might not have met the

Minimum Net Worth Requirement for the fiscal quarter ended October 31, 2007, (ii) to obtain flexibility for purposes of negotiating a sale of OOMC, and (iii) in light of the possibility that, without the amendment, we would not be in compliance with the Minimum Net Worth Covenant as of January 31, 2008 without taking steps to raise additional capital. On November 19, 2007, effective October 31, 2007, the CLOCs were amended to, among other things, require $450.0 million of Adjusted Net Worth, for the fiscal quarters ending October 31, 2007 and January 31, 2008. When financial

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results for the six months ended October 31, 2007 were finalized, we determined that we had an Adjusted Net Worth of $544.3 million at October 31, 2007, primarily due to operating losses of our discontinued operations.

A violation of covenants under our CLOCs could adversely affect our access to these funds. In addition, it is possible that the borrowing capacity under our CLOCs may not be sufficient to meet our financing needs. To meet our future financing needs we may be required to obtain additional credit facilities or issue additional debt or equity securities.

As part of our loan servicing responsibilities, we are required to advance funds to cover delinquent scheduled principal and interest payments to security holders, as well as to cover delinquent tax and insurance payments and other costs required to protect the investors interest in the collateral securing the loans. Generally, servicing advances are recoverable from either the mortgagor, the insurer of the loan or the investor through the non-recourse provision of the loan servicing contract. In light of increased delinquencies of mortgage loans that we service, the amount of funds we are required to advance on a monthly basis has been increasing. Servicing advances and related assets totaled $821.4 million, $510.2 million and $445.4 million at October, 31, 2007, July 31, 2007 and April 30, 2007, respectively. We expect the volume of servicing advances to increase, although we cannot know the volume of servicing advances that are likely to be required in any given period.

On October 1, 2007, OOMC entered into a facility to fund servicing advances, which provided funding of up to $400.0 million. On November 16, 2007, this agreement was amended to increase the amount of funding available from $400.0 million to $750.0 million. On December 24, 2007, this agreement was amended to increase the amount of funding available from $750.0 million to $800.0 million. To meet our servicing advance obligations, we may need to increase the size of our facility that funds servicing advances, obtain other servicing advance financing or sell portions of our mortgage servicing rights. It is possible that we (i) may not be able to obtain additional servicing advance financing, (ii) may not be able to sell mortgage servicing rights within a timeframe that would allow us to reduce our servicing advance obligations on a timely basis or (iii) may be forced to sell mortgage servicing rights at prices that will result in further impairment.

Market and Credit Risks The mortgage industry continues to be extremely volatile, which could result in additional operating losses, loan loss provisions or asset impairments.

The valuation of our retained residual interests, mortgage servicing rights and mortgage loans held for sale includes many estimates and assumptions made by management including, but not limited to, interest rates, prepayment speeds and credit losses. Variation in interest rates or the factors underlying our assumptions could affect our results of operations.

Conditions in the non-prime mortgage industry continued to be challenging into fiscal year 2008. Our mortgage operations, as well as the entire industry, were impacted by deteriorating conditions in the secondary market, where reduced investor demand for loan purchases, higher investor yield requirements and increased estimates for future losses reduced the value of non-prime loans. Under these conditions non-prime originators generally reported significant increases in losses and many were unable to meet their financial obligations. Conditions in the non-prime mortgage industry resulted in significant losses in our mortgage operations during fiscal year 2007 and 2008. The mortgage industry continues to be extremely volatile, which could result in further impairments to our residual interests and loans held for sale, or further losses as a result of obligations to repurchase loans previously sold.

To the extent that market conditions remain volatile, or fail to improve, our mortgage business may continue to incur operating losses and asset impairments.

We held mortgage loans at HRB Bank for investment totaling $1.1 billion at October 31, 2007. The overall credit quality of mortgage loans held for investment is impacted by the strength of the U.S. economy and local economic conditions, including residential housing prices. Economic trends that negatively affect housing prices and the job market could result in deterioration in credit quality of our mortgage loan portfolio and a decline in the value of associated collateral. Future ARM resets could also lead to increased delinquencies in our mortgage loans held for investment. Recent trends in the residential mortgage loan market reflect an increase in loan delinquencies and declining collateral values. As a result of similar trends in HRB Bank s loan portfolio, we recorded loan loss provisions totaling $9.8 million during the quarter ended October 31, 2007.

If adverse trends in the residential mortgage loan market continue, including adverse trends in HRB Bank s mortgage loan portfolio specifically, we could incur additional significant loan loss provisions.

Regulatory Environment Banking H&R Block, as a savings and loan holding company, does not expect to be in compliance with regulatory minimum ratios which could result in the OTS taking further regulatory actions, which could negatively affect our operations. In addition, if we are not in a position to cure deficiencies, our ability to repurchase shares of our common stock, acquire businesses or pay dividends could be impaired.

H&R Block, as a savings and loan holding company, is subject to a three percent minimum ratio of adjusted tangible capital to adjusted total assets, as defined by the Office of Thrift Supervision (OTS). We fell below the three percent minimum ratio at April 30, 2007. We notified the OTS of our failure to meet this requirement, and on May 29, 2007, the OTS issued a Supervisory Directive. We submitted a revised capital plan to the OTS on July 19, 2007, in which we expected to meet the three percent minimum ratio at April 30, 2008. The OTS accepted our revised capital plan.

The Supervisory Directive included additional conditions that we will be required to meet in addition to the commitments made as a part of our charter approval order (Master Commitments), which included: (1) H&R Block, as a savings and loan holding company, to maintain a 3% minimum ratio of adjusted tangible capital to adjusted total assets, as defined by OTS; (2) maintain all HRB Bank capital within HRB Bank in accordance with the submitted three year business plan; and (3) follow federal regulations surrounding intercompany transactions and approvals. The significant additional conditions included in the Supervisory Directive: (A) require HRB Bank to extend its compliance with a minimum 12.0% leverage ratio through fiscal year 2012; (B) require H&R Block, as a savings and loan holding company, to comply with the Master Commitment at all times, except for the projected capital levels and compliance with the three percent minimum ratio, as provided in the fiscal year 2008 and 2009 capital adequacy projections presented to the OTS on July 19, 2007; (C) institutes reporting requirements to the OTS quarterly and monthly by the Board of Directors and management, respectively; and (D) require HRB Bank s Board of Directors to have an independent chairperson and at least the same number of outside directors as inside directors.

Operating losses of our discontinued operations for the first half of fiscal year 2008 were higher than projected in our revised capital plan that was submitted to the OTS in July 2007. As a result, our capital levels are lower than those projections. H&R Block continued to be below the three percent minimum ratio during our second quarter, and had adjusted tangible capital of negative $644.4 million, which was below $177.5 million necessary for H&R Block to be in compliance at October 31, 2007.