

H&R BLOCK INC  
Form DEF 14A  
August 12, 2009

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**H&R BLOCK, INC.**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

- 1) Title of each class of securities to which transaction applies:
- 2) Aggregate number of securities to which transaction applies:
- 3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
- 4) Proposed maximum aggregate value of transaction:
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- 1) Amount Previously Paid:
  - 2) Form, Schedule or Registration Statement No.:
  - 3) Filing Party:
  - 4) Date Filed:
-

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One H&R Block Way  
Kansas City, Missouri 64105

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD SEPTEMBER 24, 2009**

The annual meeting of shareholders of H&R Block, Inc., a Missouri corporation (the Company), will be held at the Copaken Stage of the Kansas City Repertory Theatre in the H&R Block Center located at One H&R Block Way (corner of 13th Street and Walnut), Kansas City, Missouri, on Thursday, September 24, 2009, at 9:00 a.m. central time. Shareholders attending the meeting are asked to park in the H&R Block Center parking garage located beneath the H&R Block Center (enter the parking garage from Walnut or Main Street). The meeting will be held for the following purposes:

1. The election of ten directors to serve until the 2010 annual meeting or until their successors are elected and qualified (See page 4);
2. The approval of an advisory proposal on the Company's executive pay-for-performance compensation policies and procedures (See page 11);
3. The approval of an amendment to the 2003 Long-Term Executive Compensation Plan to increase the aggregate number of shares of Common Stock issuable under the Plan from 10,000,000 to 14,000,000 (See page 12);
4. The ratification of the appointment of Deloitte & Touche LLP as the Company's independent accountants for the fiscal year ending April 30, 2010 (See page 18); and
5. The transaction of any other business as may properly come before the meeting or any adjournments thereof.

The foregoing items of business are more fully described in the proxy statement accompanying this notice. The Board of Directors has fixed the close of business on August 6, 2009 as the record date for determining shareholders of the Company entitled to notice of and to vote at the meeting.

**WHETHER OR NOT YOU EXPECT TO ATTEND THE ANNUAL MEETING, WE URGE YOU TO VOTE YOUR SHARES VIA THE TOLL-FREE TELEPHONE NUMBER OR OVER THE INTERNET, AS PROVIDED IN THE ENCLOSED MATERIALS. IF YOU REQUESTED A PROXY CARD BY MAIL, YOU MAY SIGN, DATE AND MAIL THE PROXY CARD IN THE ENVELOPE PROVIDED.**

By Order of the Board of Directors  
BRET G. WILSON  
Secretary

Kansas City, Missouri  
August 12, 2009

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**H&R BLOCK, INC.  
PROXY STATEMENT  
FOR THE 2009 ANNUAL MEETING OF SHAREHOLDERS**

**QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING AND VOTING**

The Board of Directors (the Board of Directors or Board ) of H&R Block, Inc., a Missouri corporation ( H&R Block or the Company ) solicits the enclosed proxy for use at the annual meeting of shareholders of the Company to be held at 9:00 a.m. central time, on Thursday, September 24, 2009, at the Copaken Stage of the Kansas City Repertory Theatre in the H&R Block Center located at One H&R Block Way (corner of 13th Street and Walnut), Kansas City, Missouri. This proxy statement contains information about the matters to be voted on at the meeting and the voting process, as well as information about our directors and executive officers.

**WHY DID I RECEIVE A NOTICE IN THE MAIL REGARDING THE INTERNET AVAILABILITY OF PROXY MATERIALS INSTEAD OF A FULL SET OF PRINTED PROXY MATERIALS?**

Pursuant to rules adopted by the Securities and Exchange Commission ( SEC ) in 2007, the Company is making this Proxy Statement and its 2009 Annual Report available to shareholders electronically via the Internet. On or before August 15, 2009, we mailed to our shareholders of record the Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to be held on September 24, 2009 (the Notice ). All shareholders will be able to access this Proxy Statement and our 2009 Annual Report on the website referred to in the Notice or request to receive printed copies of the proxy materials. Instructions on how to access the proxy materials over the Internet or to request a printed copy may be found in the Notice.

**HOW CAN I ELECTRONICALLY ACCESS THE PROXY MATERIALS?**

The Notice will provide you with instructions on how to view our proxy materials for the annual meeting on the Internet. The website on which you will be able to view our proxy materials will also allow you to choose to receive future proxy materials electronically by email, which will save us the cost of printing and mailing documents to you. If you choose to receive future proxy statements by email, you will receive an email next year with instructions containing a link to the proxy voting site. Your election to receive proxy materials by email will remain in effect until you terminate it.

**HOW CAN I OBTAIN A FULL SET OF PRINTED PROXY MATERIALS?**

The Notice will provide you with instructions on how to request to receive printed copies of the proxy materials. You may request printed copies up until one year after the date of the meeting.

**WHAT AM I VOTING ON?**

You are voting on four items of business at the annual meeting:

- n The election of ten directors to serve until the 2010 annual meeting or until their successors are elected and qualified;

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The approval of an advisory proposal on the Company's executive pay-for-performance compensation policies and procedures;

- n The approval of an amendment to the 2003 Long-Term Executive Compensation Plan to increase the aggregate number of shares of Common Stock issuable under the Plan from 10,000,000 to 14,000,000; and
- n The ratification of the appointment of Deloitte & Touche LLP as the Company's independent accountants for the fiscal year ending April 30, 2010.

**WHO IS ENTITLED TO VOTE?**

Shareholders of record as of the close of business on August 6, 2009 are entitled to vote at the annual meeting. Each share of H&R Block common stock is entitled to one vote.

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### **WHAT ARE THE VOTING RECOMMENDATIONS OF THE BOARD OF DIRECTORS?**

Our Board of Directors recommends that you vote your shares **FOR** the proposed slate of directors named in this proxy standing for election to the Board, **FOR** the advisory proposal on executive pay-for-performance compensation policies and procedures, **FOR** the amendment to the 2003 Long-Term Executive Compensation Plan and **FOR** the ratification of Deloitte & Touche LLP as our independent accountants.

### **WHAT IS THE DIFFERENCE BETWEEN HOLDING SHARES AS A SHAREHOLDER OF RECORD AND AS A BENEFICIAL OWNER?**

If your shares are registered directly in your name with the Company's transfer agent, Wells Fargo Shareowner Services (known as a registered shareholder), you are considered, with respect to those shares, the shareholder of record, and the Notice was sent to you directly by the Company. If you are a shareholder of record, you may vote in person at the annual meeting.

If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the beneficial owner of shares held in street name, and that organization forwarded the Notice to you. As the beneficial owner, you have the right to direct your broker, bank or nominee holding your shares how to vote and are also invited to attend the annual meeting. However, since you are not a shareholder of record, you may not vote these shares in person at the annual meeting unless you bring with you a legal proxy from the shareholder of record.

### **HOW DO I VOTE?**

**If you are a registered shareholder**, there are four ways to vote:

- n By going to the Internet Website [www.proxyvote.com](http://www.proxyvote.com) and following the instructions provided (you will need the Control Number from the Notice you received);
- n By calling the toll-free telephone number indicated on your proxy card or voting instruction card (you will need the Control Number from the Notice you received);
- n If you requested printed copies of the proxy materials by mail, you can vote by signing, dating and returning the accompanying proxy card; or
- n In person by written ballot at the annual meeting.

Your shares will be voted as you indicate. If you do not indicate your voting preferences, the appointed proxies (Richard C. Breedon, David Baker Lewis and L. Edward Shaw, Jr.) will vote your shares **FOR** items 1 through 4. If your shares are owned in joint names, all joint owners must vote by the same method and if joint owners vote by mail, all of the joint owners must sign the proxy card.

**If your shares are held in a brokerage account in your broker's name (this is called street name)**, you may also vote as set forth above, and your broker or nominee should vote your shares as you have directed. Again, you must have a legal proxy from the shareholder of record in order to vote the shares in person at the annual meeting.

**If your shares are held through the H&R Block Retirement Savings Plan**, you may also vote as set forth above, except that Plan participants may not vote their Plan shares in person at the Annual Meeting. If you provide voting instructions by Internet, telephone or written proxy card, Fidelity Management Trust Company, the Plan's Trustee, should vote your shares as you have directed. If you do not provide specific voting instructions, the Trustee will vote

your shares in the same proportion as shares for which the Trustee has received instructions. Please note that you must submit voting instructions to the Trustee by no later than September 21, 2009 at 11:59 pm Eastern time in order for your shares to be voted by the Trustee at the Annual Meeting.

**MAY I ATTEND THE MEETING?**

All shareholders, properly appointed proxy holders, and invited guests of the Company may attend the annual meeting. Shareholders who plan to attend the meeting must present a valid photo identification. If you hold your shares in street name, please also bring proof of your share ownership, such as a broker's statement showing that you owned shares of the Company on the record date of August 6, 2009, or a legal proxy from your broker or nominee (a legal proxy is required if you hold your shares in street name and you plan to vote in person at the annual meeting). Shareholders of record will be verified against an official list available at the registration area. The Company reserves the right to deny admittance to anyone who cannot adequately show proof of share ownership as of the record date.

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**WHAT ARE BROKER NON-VOTES AND HOW ARE THEY COUNTED?**

Broker non-votes occur when nominees, such as brokers and banks holding shares on behalf of the beneficial owners, are prohibited from exercising discretionary voting authority for beneficial owners who have not provided voting instructions at least ten days before the annual meeting date. If no instructions are given within that time frame, the nominees may vote those shares on matters deemed routine by the New York Stock Exchange. On non-routine matters, nominees cannot vote without instructions from the beneficial owner, resulting in so-called broker non-votes. Broker non-votes are not counted for the purposes of determining the number of shares present in person or represented by proxy on a voting matter.

**MAY I CHANGE MY VOTE?**

You may revoke your proxy and change your vote at any time before the final vote at the annual meeting. You may vote again on a later date on the Internet or by telephone (only your latest Internet or telephone proxy submitted prior to the annual meeting will be counted), or by signing and returning a new proxy card or voting instruction form with a later date, or by attending the annual meeting and voting in person. However, your attendance at the annual meeting will not automatically revoke your proxy unless you vote again at the annual meeting or specifically request in writing that your prior proxy be revoked.

**WHAT VOTE IS REQUIRED TO APPROVE EACH PROPOSAL?**

For all matters to be voted upon at the annual meeting, shareholders may vote for, against, or abstain on such matters.

For all matters to be voted on at the annual meeting, the affirmative vote of a majority of shares present in person or represented by proxy, and entitled to vote on the matter, is necessary for election or approval. Shares represented by a proxy that directs that the shares abstain from voting or that a vote be withheld on a matter are deemed to be represented at the meeting as to that matter, and have the same effect as a vote against the proposal.

**DO SHAREHOLDERS HAVE CUMULATIVE VOTING RIGHTS WITH RESPECT TO THE ELECTION OF DIRECTORS?**

No. Shareholders do not have cumulative voting rights with respect to the election of directors.

**WHAT CONSTITUTES A QUORUM?**

As of the record date, 335,288,109 shares of the Company's Common Stock were issued and outstanding. A majority of the outstanding shares entitled to vote at the annual meeting, represented in person or by proxy, will constitute a quorum. Shares represented by a proxy that directs that the shares abstain from voting or that a vote be withheld on a matter will be included at the annual meeting for quorum purposes. Shares represented by proxy as to which no voting instructions are given will also be included at the annual meeting for quorum purposes.

**WHAT DOES IT MEAN IF I RECEIVE MORE THAN ONE IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE SHAREHOLDER MEETING TO BE HELD ON SEPTEMBER 24, 2009 ?**

It means your shares are held in more than one account. You should vote all your proxy shares.

**HOW MUCH DID THIS PROXY SOLICITATION COST?**

The Company has retained Mellon Investor Services LLC to assist in the solicitation of proxies on behalf of the Board of Directors for a fee of \$8,500 plus reimbursement of reasonable expenses. Further, brokers and other custodians, nominees and fiduciaries will be requested to forward the Notice and printed proxy materials to their principals, and the Company will reimburse them for the expense of doing so.

**WHAT IS THE COMPANY S WEB ADDRESS?**

The Company s home page is [www.hrblock.com](http://www.hrblock.com). The Company s filings with the Securities and Exchange Commission are available free of charge via a link from this website.

**WILL ANY OTHER MATTERS BE VOTED ON?**

As of the date of this proxy statement, our management knows of no other matter that will be presented for consideration at the meeting other than those matters discussed in this proxy statement. If any other matters

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properly come before the meeting and call for a vote of the shareholders, validly executed proxies in the enclosed form will be voted in accordance with the recommendation of the Board of Directors.

**ITEM 1**

**ELECTION OF DIRECTORS**

The Company's Amended and Restated Articles of Incorporation (the "Articles") and Amended and Restated Bylaws (the "Bylaws") provide that the number of directors to constitute the Board of Directors shall not be fewer than seven nor more than 12, with the exact number to be fixed by a resolution adopted by the affirmative vote of a majority of the entire Board. The Articles and Bylaws also provide that all of the directors shall be elected at each annual meeting of shareholders to hold office until the next succeeding annual meeting of shareholders or until such director's successor has been elected and qualified, and subject to prior death, resignation, retirement or removal from office of a director. Any vacancy on the Board may be filled by a majority of the surviving or remaining directors then in office.

At the annual meeting of shareholders to be held on September 24, 2009, ten directors will be elected to hold office until the next annual meeting of shareholders or until their successors are elected and shall have qualified. Alan M. Bennett, Thomas M. Bloch, Richard C. Breeden, Robert A. Gerard, Len J. Lauer, David Baker Lewis, Tom D. Seip, L. Edward Shaw, Jr., Russell P. Smyth and Christianna Wood have been nominated by the Board for election as directors of the Company. Information with respect to each nominee for election as a director of the Company is set forth below. The number of shares of Common Stock beneficially owned by each nominee for director is listed under the heading "Security Ownership of Directors and Management" on page 46 of this proxy statement.

**NOMINEES FOR ELECTION AT THIS MEETING:**

**Alan M. Bennett**

Director since 2008  
Age 58

Mr. Bennett served as Interim CEO of H&R Block, Inc. from November 2007 through August 2008. Prior to that, he was Senior Vice President and Chief Financial Officer, Aetna, Inc. (a leading provider of health, dental, group life, disability and long-term care benefits), 2001- 2007; Vice President and Corporate Controller, Aetna, Inc., 1998-2001; Vice President and Director of Internal Audit, Aetna, Inc., 1997-1998; and Chief Financial Officer, Aetna Business Resources, 1995-1997. Mr. Bennett graduated from Susquehanna University in Selinsgrove, Pennsylvania in 1972. He is also a director of Halliburton Company and TJX Companies, Inc. He is a member of the Audit and Finance Committees of the Board of Directors of the Company.

**Thomas M. Bloch**

Director since 2000  
Age 55

Mr. Bloch has served since January 2000 as President of the Board of University Academy, an urban college preparatory charter school that he co-founded in Kansas City, Missouri and as an educator with the University Academy since August 2000. Mr. Bloch served as an educator with St. Francis Xavier School from October 1995 until August 2000. Prior to changing careers, Mr. Bloch had a 19-year career with the H&R Block organization, resigning as President and Chief Executive Officer of the Company in 1995. Mr. Bloch graduated from Claremont McKenna College in Claremont, California in 1976. He is a member of the Finance Committee of the Board of Directors of the Company.

**Richard C. Breeden**

Director since 2007

Age 59

Mr. Breeden has served since 2005 as Chairman and Chief Executive Officer of Breeden Capital Management LLC, the manager of a series of affiliated investment funds. He has also served since 1996 as Chairman of Richard C. Breeden & Co., LLC, a professional services firm specializing in strategic consulting, financial restructuring and corporate governance advisory services. Mr. Breeden graduated from Stanford University in 1972, and the Harvard Law School in 1975. From 1989-1993 he served as Chairman of the U.S. Securities and Exchange Commission. Mr. Breeden is also

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a director of Steris Corp. and Zale Corporation. Mr. Breeden has served as Chairman of the Board of the Company since November 2007. He is Co-Chairman of the Finance Committee, and a member of the Governance and Nominating Committee of the Board of Directors of the Company.

**Robert A. Gerard**  
Director since 2007  
Age 64

Mr. Gerard is the General Partner and investment manager of GFP, L.P., a private investment partnership. Since 2004, Mr. Gerard has been Chairman of the Management Committee and Chief Executive Officer of Royal Street Communications, LLC, a licensee, developer and operator of telecommunications networks in Los Angeles and Central Florida. From 1974 to 1977, Mr. Gerard served in the United States Department of the Treasury, completing his service as Assistant Secretary for Capital Markets and Debt Management. From 1977 until his retirement in 1991, he held senior executive positions with the investment banking firms Morgan Stanley & Co., Dillon Read & Co., and Bear Stearns. Mr. Gerard is a Director of Broadpoint Gleacher Securities Group. He is Chairman of the Governance and Nominating Committee and a member of the Finance Committee of the Board of Directors of the Company.

**Len J. Lauer**  
Director since 2005  
Age 52

Mr. Lauer is currently Executive Vice President and Chief Operating Officer of QUALCOMM, Inc. He was the Chief Operating Officer of Sprint Nextel Corp. from August 2005 to December 2006; he was President of Sprint Corp. from September 2003 until the Sprint-Nextel merger in August 2005. Prior to that, he was President-Sprint PCS from October 2002 until October 2004, and was President-Long Distance (formerly the Global Markets Group) from September 2000 until October 2002. Mr. Lauer also served in several executive positions at Bell Atlantic Corp. from 1992 to 1998. Prior to this, Mr. Lauer spent the first 13 years of his business career at IBM in various sales and marketing positions. Mr. Lauer holds a Bachelor of Science degree in Managerial Economics from the University of California, San Diego. Mr. Lauer is Co-Chairman of the Finance Committee and a member of the Compensation Committee of the Board of Directors of the Company.

**David B. Lewis**  
Director since 2004  
Age 64

Mr. Lewis is Chairman and Chief Executive Officer of Lewis & Munday, a Detroit-based legal firm with offices in Washington, D.C. and Seattle. He is also a director of The Kroger Company. Mr. Lewis has served on the Board of Directors of Conrail, Inc., LG&E Energy Corp., M.A. Hanna, TRW, Inc., and Comerica, Inc. He received a Bachelor of Arts degree from Oakland University, a Master of Business Administration from the University of Chicago and a Juris Doctor from the University of Michigan School of Law. Mr. Lewis is Chairman of the Audit Committee and a member of the Governance and Nominating Committee of the Board of Directors of the Company.

**Tom D. Seip**  
Director since 2001  
Age 59

Mr. Seip currently serves as managing partner of Seip Investments LP and the managing member of Way Too Much Stuff LLC and Ridgefield Farm LLC, all private investment vehicles. He served as the President, Chief Executive Officer and director of Westaff, Inc., Walnut Creek, California,

a temporary staffing services company, from May 2001 until January 2002. Mr. Seip was employed by Charles Schwab & Co., Inc., San Francisco, California, from January 1983 until June 1998 in various positions, including Chief Executive Officer of Charles Schwab Investment Management, Inc. from 1997 until June 1998 and Executive Vice President Retail Brokerage from 1994 until

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1997. Mr. Seip is also a trustee of the Neuberger Berman Mutual Funds, New York. He received a Bachelor of Arts degree from Pennsylvania State University and participated in the Doctoral Program in Developmental Psychology at the University of Michigan. Mr. Seip is Chairman of the Compensation Committee and a member of the Audit Committee of the Board of Directors of the Company.

**L. Edward Shaw, Jr.**

Director since 2007

Age 64

Mr. Shaw has served since 2006 as Senior Managing Director of Breedon Capital Management LLC or its affiliates, and formerly served as General Counsel of Aetna Inc. (1999 to 2003) and Chase Manhattan Bank (1983 to 1996). While with Aetna, Mr. Shaw also served as Executive Vice President and as a member of the Office of the Chairman. Mr. Shaw previously acted as independent counsel to the Board of Directors of the New York Stock Exchange, Inc. (2004), and also served as chief corporate officer for North America of National Westminster Bank (1996 to 1999). Prior to 1983, Mr. Shaw was a partner in a major New York law firm and, prior to joining Breedon, Mr. Shaw was of counsel to Gibson Dunn and Crutcher. Mr. Shaw is also a director of Mine Safety Appliances Co. and HealthSouth Corporation. He is a member of the Audit and Compensation Committees of the Board of Directors of the Company.

**Russell P. Smyth**

Director since 2008

Age 52

Mr. Smyth has served as the President and Chief Executive Officer and as a Director of the Company since August 1, 2008. From 2005 through August 2008, Mr. Smyth served as a consultant, equity owner, and active board member for several private equity firms, and served on the boards of several privately held companies. Prior to that, he was with McDonald's Corporation for 21 years, and most recently served in the following positions there: President McDonald's Europe from January 2003 to 2005; President of Partner Brands from December 2001 to January 2003; International Relationship Partner for Southeast and Central Asia from May 1999 to December 2001; and Vice President of the Latin America Group from July 1996 to May 1999. Mr. Smyth holds a bachelor's degree and a master's degree in accounting from Northern Illinois University.

**Christianna Wood**

Director since 2008

Age 49

Ms. Wood is the Chairman of the Board of the International Corporate Governance Network. Ms. Wood served as the Chief Executive Officer of Capital Z Asset Management, the largest dedicated sponsor of hedge funds, from 2008 through July 2009. Previously, Ms. Wood was the Senior Investment Officer for the Global Equity unit of the California Public Employees Retirement System (CalPERS) for five years. Prior to CalPERS, Ms. Wood served as a Principal of Colorado-based Denver Investment Advisors, as well as Portfolio Manager, Director of Value Strategies and a member of the Management Committee. She is a Trustee of Vassar College and on the Investment, Audit and Social Responsibility Committees of the Vassar College Board of Trustees. Ms. Wood was previously a member of the Public Company Accounting Oversight Board (PCAOB) Standard Advisory Group (2006-2008) and the International Auditing and Assurance Standards Board (IAASB) Consultative Advisory Group (2006-2009). Ms. Wood obtained a Bachelor of Arts degree in

Economics from Vassar College and a Masters of Business Administration degree in Finance from New York University. She is a member of the Compensation and Governance and Nominating Committees of the Board of Directors of the Company.

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Unless otherwise instructed, the proxy holders will vote the proxy cards received by them for each of the nominees named above. All nominees have consented to serve if elected. The Board of Directors has no reason to believe that any of the nominees would be unable to accept the office of director. If such contingency should arise, it is the intention of the proxies to vote for such person or persons as the Board of Directors may recommend.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE NOMINEES NAMED ABOVE, AND PROXIES SOLICITED BY THE BOARD OF DIRECTORS WILL BE SO VOTED IN THE ABSENCE OF INSTRUCTIONS TO THE CONTRARY.**

**ADDITIONAL INFORMATION CONCERNING THE BOARD OF DIRECTORS**

**BOARD OF DIRECTORS MEETINGS AND COMMITTEES** The Board of Directors is responsible for managing the property and business affairs of the Company. The Board of Directors reviews significant developments affecting the Company and acts on matters requiring Board approval. During the 2009 fiscal year, the Board of Directors held 11 meetings and the standing Board committees held 21 meetings. Each of the incumbent directors attended at least 75% of the aggregate total number of meetings of the Board of Directors and Board committees of which he or she was a member.

The standing committees of the Board are the Audit Committee, the Compensation Committee, the Finance Committee and the Governance and Nominating Committee. The Company's Corporate Governance Guidelines, Code of Business Ethics and Conduct, the Board of Directors Independence Standards and charters for the Audit, Compensation, and Governance and Nominating Committees are available on the Company's website at [www.hrblock.com](http://www.hrblock.com) under the tab "Company" and then under the heading "Block Investors" and then under "Corporate Governance." These documents are also available in print to shareholders upon written request to: Corporate Secretary, H&R Block, Inc., One H&R Block Way, Kansas City, Missouri 64105. Set forth below is a description of the duties of each committee and its members.

The members of the **Audit Committee** are Mr. Lewis (Chairman) and Messrs. Bennett, Seip and Shaw. The functions of the Committee are described in the Audit Committee Charter and include making recommendations to the Board of Directors with respect to the appointment of the Company's independent accountants, evaluating the independence and performance of such accountants, reviewing the scope of the annual audit, and reviewing and discussing with management and the independent accountants the audited financial statements and accounting principles. See the "Audit Committee Report" on page 19. All of the members of the Audit Committee are independent under regulations adopted by the Securities and Exchange Commission, New York Stock Exchange listing standards and the Board of Directors Independence Standards. The Board has determined that Messrs. Bennett, Lewis and Shaw are audit committee financial experts, pursuant to the criteria prescribed by the Securities and Exchange Commission. The Audit Committee held six meetings during fiscal year 2009.

The members of the **Compensation Committee** are Mr. Seip (Chairman) and Ms. Wood and Messrs. Lauer and Shaw. The functions of the Committee primarily include reviewing and approving the compensation of the executive officers of the Company and its subsidiaries, recommending to the Board of Directors the compensation of the Company's chief executive officer, and administering the Company's long-term incentive compensation plans. See the "Compensation Discussion and Analysis" beginning on page 21. All of the members of the Compensation Committee are independent under the New York Stock Exchange listing standards and the Board of Directors Independence Standards. The Compensation Committee held six meetings during fiscal year 2009.

The members of the **Finance Committee** are Messrs. Breeden and Lauer (Co-Chairmen), and Messrs. Bennett, Bloch and Gerard. The primary duties of the Finance Committee are to provide advice to management and the Board of Directors concerning the financial structure of the Company, the funding of the operations of the Company and its subsidiaries, and the investment of Company funds. The Finance Committee held seven meetings during fiscal year 2009.

The members of the **Governance and Nominating Committee** are Mr. Gerard (Chairman), Ms. Wood and Messrs. Breeden and Lewis. The Board of Directors adopted a revised charter for the Governance and Nominating Committee on May 5, 2009, a copy of which is available on the Company's website as described above. The Governance and Nominating Committee is responsible for corporate governance matters, the initiation of nominations for election as a director of the Company, the evaluation of the performance of the Board of Directors, and the determination of compensation of outside directors of the Company. All of the members of the Governance and Nominating Committee are independent under the New York Stock Exchange listing standards and the Board of Directors Independence Standards. The Governance and Nominating Committee held two meetings during fiscal year 2009.

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**DIRECTOR COMPENSATION** The Board considers and determines outside director compensation each year, taking into account recommendations from the Governance and Nominating Committee. The Governance and Nominating Committee formulates its recommendation based on its review of director compensation practices at other companies. The Governance and Nominating Committee may delegate its authority to such subcommittees as it deems appropriate in the best interest of the Company and its shareholders. Management assists the Governance and Nominating Committee in its review by accumulating and summarizing market data pertaining to director compensation levels and practices. Also, in June 2008, the Governance and Nominating Committee retained Frederic W. Cook & Co., Inc. ( Frederic Cook ) as an external director compensation consultant to evaluate the design and competitiveness of the director compensation program. Frederic Cook provided the Committee with an overview of the current director compensation program, a competitive analysis of total director compensation, and an analysis of emerging trends in director compensation, and made recommendations concerning the structure of the Company's director compensation program. Based on recommendations from the aforementioned parties, the Board made certain modifications to the director compensation program on June 11, 2008 for fiscal year 2009.

From May 1, 2008 through June 11, 2008, directors who were not employed by the Company or its subsidiaries received a retainer at an annual rate of \$50,000. In addition, non-employee directors received meeting fees of \$2,000 for each Board meeting attended, committee chairman fees of \$2,000 for each committee meeting chaired, and meeting fees of \$1,200 for each committee meeting attended in a capacity other than as chairman. The chairman of the audit committee received an annual committee chairman's fee of \$7,500, which the audit committee chairman could choose to receive in cash or shares of the Company's common stock.

During the remainder of fiscal year 2009, the retainer paid to directors who were not employed by the Company or its subsidiaries was reduced to an annual rate of \$40,000. In addition, non-employee directors received meeting fees of \$2,000 for each Board meeting attended (subject to a maximum of 10 Board meetings per fiscal year) and \$1,200 for each committee meeting attended (subject to a maximum of 10 committee meetings per fiscal year for each committee). The chairman of each Board committee receives an annual committee chairman's fee as follows: audit committee - \$15,000 (or \$7,500 per co-chairman); compensation committee \$10,000 (or \$5,000 per co-chairman); governance and nominating committee \$10,000 (or \$5,000 per co-chairman); and finance committee - \$10,000 (or \$5,000 per co-chairman). The non-executive Chairman of the Board receives an annual retainer in the form of deferred stock units valued at \$150,000 under the 2008 Deferred Stock Unit Plan for Outside Directors, which is more fully described below.

The 1989 Stock Option Plan for Outside Directors (the 1989 Stock Option Plan ) was terminated by the Board of Directors on June 11, 2008 (except with respect to outstanding options thereunder). The 1989 Stock Option Plan provided for the grant of stock options on June 30 of each year in which the 1989 Stock Option Plan was in effect to non-employee directors of the Company. The options granted under the 1989 Stock Option Plan were fully vested and immediately exercisable as of the date of grant. All outstanding options granted under the 1989 Stock Option Plan expire ten years after the date of grant.

The 2008 Deferred Stock Unit Plan for Outside Directors (the 2008 Stock Unit Plan ) was approved by the Governance and Nominating Committee and the Board of Directors on June 11, 2008, and was approved by the Company's shareholders on September 4, 2008. The 2008 Stock Unit Plan provides for the grant of deferred stock units to directors of the Company or its subsidiaries who are not employees of the Company or any of its subsidiaries. The Plan specifies that the Board of Directors may make grants of deferred stock units to outside directors in its sole discretion. The number of deferred stock units credited to an outside director's account pursuant to an award is determined by dividing the dollar amount of the award by the average current market value per share of the Company's Common Stock for the ten consecutive trading dates ending on the date the deferred stock units are granted to the outside director. The current market value generally is the closing sales price as reported on the New York Stock Exchange. If an outside director terminates service with the Company for reason other than death, deferred stock units

will be paid to such outside director, in shares of Common Stock, in one lump sum on the six month anniversary date of the termination of service. If an outside director dies prior to the payment in full of all amounts due such outside director under the Plan, the balance of the outside director's deferred stock unit account will be paid to the outside director's beneficiary, in shares of Common Stock, in a lump sum within 90 days following the outside Director's death. The maximum number of shares of Common Stock that may be paid out under the Plan is 300,000.

On September 4, 2008, deferred stock unit awards were approved as follows: (i) for the one-year period ending September 4, 2008, \$100,000 in value of deferred stock units for former directors Henry F. Frigon and Roger W. Hale and for Messrs. Bloch, Breeden, Gerard, Lauer, Lewis, Seip and Shaw, and \$16,667 in value of deferred stock units for Ms. Wood and (ii) for the one-year period beginning September 4, 2008, \$100,000 in value of deferred stock units

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for Ms. Wood and Messrs. Bennett, Bloch, Breeden, Gerard, Lauer, Lewis, Seip and Shaw. The grant date of these awards was October 1, 2008.

The Company also offers to its non-employee directors free business travel insurance in connection with Company-related travel. In addition, the H&R Block Foundation will match gifts by non-employee directors to any 501(c)(3) organization up to an annual aggregate limit of \$5,000 per director per calendar year.

The Board has adopted stock ownership guidelines regarding stock ownership by Board members. The Board member ownership guidelines provide for non-employee directors to own shares of Company stock with an aggregate value generally exceeding five times the annual retainer paid to them.

**DIRECTOR COMPENSATION TABLE**

The following table sets forth director compensation for non-employee directors for fiscal year 2009.

Name	Fees Earned or Paid in Cash (\$) <sup>(1)</sup>	Stock Awards (\$) <sup>(2)</sup>	Option Awards (\$) <sup>(3)</sup>	All Other Compensation (\$) <sup>(4)</sup>	Total (\$)
Alan M. Bennett <sup>(5)</sup>	42,000	101,534	-0-	-0-	143,534
Thomas M. Bloch	69,700	203,068	-0-	5,000	277,768
Richard C. Breeden <sup>(6)</sup>	77,850	203,068	-0-	3,500	284,418
Henry F. Frigon <sup>(7)</sup>	33,300	101,534	-0-	5,000	139,834
Robert A. Gerard	82,800	203,068	-0-	-0-	285,868
Roger W. Hale <sup>(7)</sup>	44,900	101,534	-0-	-0-	146,434
Len J. Lauer	80,250	203,068	-0-	-0-	283,318
David B. Lewis	88,425	203,068	-0-	5,000	296,493
Tom D. Seip	84,000	203,068	-0-	5,000	292,068
L. Edward Shaw, Jr. <sup>(6)</sup>	78,100	203,068	-0-	-0-	281,168
Christianna Wood <sup>(8)</sup>	44,400	118,457	-0-	5,000	167,857

**NOTES:**

- (1) This column includes, as applicable, the annual director's fee, meeting fees for each Board and committee meeting attended and committee chairman fees for fiscal year 2009.
- (2) This column represents the dollar amount recognized for financial statement reporting purposes in accordance with Statement of Financial Accounting Standards No. 123(R), Share-Based Payment (SFAS 123R), with respect to fiscal year 2009 for the fair value of deferred stock units granted during fiscal year 2009. The grant date fair value of the deferred stock unit award matches the amounts included in this column as the deferred stock unit awards were fully vested on their date of grant. Each deferred stock unit granted on October 1, 2008 was valued at \$23.76, the closing price of the Company's common stock on that date. For further information concerning deferred stock unit valuation assumptions, refer to Item 8, Note 12 Stock-Based Compensation of the Company's consolidated financial statements in the Form 10-K for the year ended April 30, 2009, as filed with the SEC.

- (3) No stock options to purchase the Company's common stock were granted to individuals serving as outside directors during fiscal year 2009. As of April 30, 2009, the following stock options were outstanding: Mr. Bennett 150,000 (granted to Mr. Bennett when he was serving as Chief Executive Officer of the Company); Mr. Bloch 60,000; Mr. Breeden 37,595; Mr. Frigon 68,000; Mr. Gerard 0; Mr. Hale 60,000; Mr. Lauer 16,000; Mr. Lewis 24,000; Mr. Seip 48,000; Mr. Shaw 0; and Ms. Wood 0.
- (4) This column includes, as applicable, the cost of business travel insurance and the H&R Block Foundation matching amount on contributions to 501(c)(3) organizations.
- (5) Elected to serve as a director as of the annual meeting on September 4, 2008.
- (6) Pursuant to the governing documents of Breeden Capital Management LLC and related investment funds, compensation received by Messrs. Breeden and Shaw for service as directors of the Company is turned over to the investment funds. Messrs. Breeden and Shaw have no interest in such compensation other than to the extent of their pro rata ownership interest in the investment funds.
- (7) Ceased to serve as a director as of the annual meeting on September 4, 2008.
- (8) Elected to serve as a director as of July 1, 2008.

**CORPORATE GOVERNANCE** Our Board of Directors operates under Corporate Governance Guidelines (the Guidelines ) to assist the Board in exercising its responsibilities. The Guidelines reflect the Board's commitment to monitor the effectiveness of policy and decision-making both at the Board level and management level, with a view to enhancing shareholder value over the long term. The Guidelines also assure that the Board will have the

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necessary authority and practices in place to review and evaluate the Company's business operations as needed and to make decisions that are independent of the Company's management. The Guidelines are not intended to be a static statement of the Company's policies, principles and guidelines, but are subject to continual assessment and refinement as the Board may determine advisable or necessary in the view of the best interests of the Company and its shareholders.

It is the Board's policy, and the Company's Articles require, that the Chairman of the Board be an independent director who has not previously served as an executive officer of the Company. As Chairman, Mr. Breeden leads all meetings of the Board, including executive sessions of the non-employee directors held at each regular meeting of the Board.

As further described in the Guidelines, the Board believes that a substantial majority of the Board should consist of directors who are independent under the New York Stock Exchange listing standards. As described below, eight of the Board's ten current directors are independent directors within the meaning of the Company's Board of Directors Independence Standards (the "Independence Standards") and the New York Stock Exchange listing standards.

The New York Stock Exchange listing standards provide that a director does not qualify as independent unless the Board affirmatively determines that the director has no material relationship with the Company. The listing standards permit the Board to adopt and disclose standards to assist the Board in making determinations of independence. Accordingly, the Board has adopted the Independence Standards to assist the Board in determining whether a director has a material relationship with the Company.

In June 2009, the Board conducted an evaluation of director independence regarding the current directors and nominees for director, based on the Independence Standards and the New York Stock Exchange listing standards. In connection with this review, the Board evaluated commercial, charitable, consulting, familial and other relationships between each director or immediate family member and the Company and its subsidiaries. As a result of this evaluation, the Board affirmatively determined that Messrs. Bennett, Breeden, Gerard, Lauer, Lewis, Shaw and Seip and Ms. Wood are independent. Additionally, the Board affirmatively determined in June 2008 that Messrs. Frigon and Hale (former directors) were independent based on the Independence Standards and the New York Stock Exchange listing standards.

Finally, all directors, officers and employees of the Company must act ethically and in accordance with the policies comprising the H&R Block Code of Business Ethics and Conduct (the "Code"). The Code includes guidelines relating to the ethical handling of actual or potential conflicts of interest, compliance with laws, accurate financial reporting, and procedures for promoting compliance with, and reporting violations of, the Code. The Company intends to post any amendments to or waivers of the Code (to the extent applicable to the Company's Chief Executive Officer, Chief Financial Officer or Principal Accounting Officer) on our website.

**DIRECTOR NOMINATION PROCESS** The entire Board of Directors is responsible for nominating members for election to the Board and for filling vacancies on the Board that may occur between annual meetings of the shareholders. The Governance and Nominating Committee is responsible for identifying, screening and recommending candidates to the entire Board for Board membership. The Governance and Nominating Committee works with the Board to determine the appropriate characteristics, skills and experience for the Board as a whole and its individual members. In evaluating the suitability of individual Board members, the Board takes into account many factors such as general understanding of various business disciplines (*e.g.*, marketing, finance, information technology), the Company's business environment, educational and professional background, ability to work well with other Board members, analytical ability and willingness to devote adequate time to Board duties. The Board evaluates each individual in the context of the Board as a whole with the objective of retaining a group with diverse and relevant experience that can best perpetuate the Company's success and represent shareholder interests through sound judgment.

The Governance and Nominating Committee may seek the input of the other members of the Board and management in identifying candidates who meet the criteria outlined above. In addition, the Governance and Nominating Committee may use the services of consultants or a search firm. The Committee will consider recommendations by the Company's shareholders of qualified director candidates for possible nomination by the Board. Shareholders may recommend qualified director candidates by writing to the Company's Corporate Secretary, H&R Block, Inc., One H&R Block Way, Kansas City, Missouri 64105. Submissions should include information regarding a candidate's background, qualifications, experience, and willingness to serve as a director. Based on a preliminary assessment of a candidate's qualifications, the Governance and Nominating Committee may conduct interviews with the candidate and request additional information from the candidate. The Committee

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uses the same process for evaluating all candidates for nomination by the Board, including those recommended by shareholders. The Company's Bylaws permit persons to be nominated as directors directly by shareholders under certain conditions. To do so, shareholders must comply with the advance notice requirements outlined in the Shareholder Proposals and Nominations section of this proxy statement.

**COMMUNICATIONS WITH THE BOARD** Shareholders and other interested parties wishing to communicate with the Board of Directors, the non-management directors, or with an individual Board member concerning the Company may do so by writing to the Board, to the non-management directors, or to the particular Board member, and mailing the correspondence to: Corporate Secretary, H&R Block, Inc., One H&R Block Way, Kansas City, Missouri 64105. Please indicate on the envelope whether the communication is from a shareholder or other interested party. All such communications will be forwarded to the director or directors to whom the communication is addressed.

**DIRECTOR ATTENDANCE AT ANNUAL MEETINGS** Although the Company has no specific policy regarding director attendance at its annual meeting, all directors are encouraged to attend. Board and Committee meetings are held immediately preceding and following the annual meeting, with directors attending the annual meeting. All of the Company's directors attended last year's annual meeting.

## **ITEM 2**

### **THE APPROVAL OF AN ADVISORY PROPOSAL ON THE COMPANY'S EXECUTIVE PAY-FOR-PERFORMANCE COMPENSATION POLICIES AND PROCEDURES**

We believe that our compensation programs and policies reflect an overall pay for performance culture which is strongly aligned to the long term interests of our shareholders. We are committed to the successful execution of specific strategies that will drive consistent delivery of shareholder value. As part of that commitment, and in accordance with the Company's Amended and Restated Bylaws, the Board is providing H&R Block's shareholders with an annual opportunity to endorse or not endorse our executive compensation program, commonly known as a Say on Pay proposal.

The Compensation Committee of the Board has overseen the development of a compensation program designed to achieve pay-for-performance and alignment with long-term shareholder interests, as described more fully in the Compensation Discussion and Analysis beginning on page 21. The compensation program was designed in a manner that we believe delivers appropriate recognition for contributing to current business results, while at the same time motivating and retaining executives to enhance future business results.

As further evidence of our commitment to a pay-for-performance compensation philosophy and to recognize our failure to meet a significant portion of our pre-established performance targets for fiscal year 2009, we implemented the following actions in our executive compensation program:

- n No base pay merit increases were awarded to any of our executives
- n No or minimal performance based short-term incentive ( STI ) awards were provided to any of our executives
- n Decreased long-term incentive value awarded to our executives

These actions are not a one-time event; the Company will continue to take the necessary steps to link business performance to executive compensation awards to exemplify our full commitment to pay-for-performance.

In addition, the Compensation Committee continually reviews best practices in executive compensation in order to insure that H&R Block's executive compensation program achieves the desired goals of pay-for-performance and alignment with long-term shareholder interests. As a result of this review process, the Compensation Committee and the Board revised H&R Block's executive compensation practices during the Company's 2008 and 2009 fiscal years by:

- n Introducing a new equity vehicle of premium priced options to attract our new CEO and place significant emphasis on balanced wealth creation for both the shareholders and the most senior member of our Company
- n Revising long-term equity award methodology to ensure that both value and number of shares granted are reviewed annually to balance share price volatility with competitiveness of award

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- n Instituting a double trigger on any acceleration of equity awards that result from a Change in Control of the Company.
- n Eliminating the Company's match under the H&R Block Deferred Compensation Plan for Executives

These changes along with executive stock ownership guidelines, limited executive perquisites, and conservative severance multiples all contribute to an executive compensation program that is competitive yet strongly aligned to shareholders' interests.

For the reasons discussed above, the Board recommends that shareholders vote in favor of the following Say on Pay resolution:

**Resolved, that the shareholders approve the overall executive pay-for-performance compensation policies and procedures employed by the Company, as described in the Compensation Discussion and Analysis and the tabular disclosure regarding named executive officer compensation (together with the accompanying narrative disclosure) in this Proxy Statement.**

Because your vote is advisory, it will not be binding upon the Board. However, the Compensation Committee will take into account the outcome of the vote when considering future executive compensation arrangements.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR APPROVAL OF THE PAY-FOR-PERFORMANCE COMPENSATION POLICIES AND PROCEDURES EMPLOYED BY THE COMPENSATION COMMITTEE, AS DESCRIBED IN THE COMPENSATION DISCUSSION AND ANALYSIS, AND THE TABULAR DISCLOSURE REGARDING NAMED EXECUTIVE OFFICER COMPENSATION (TOGETHER WITH THE ACCOMPANYING NARRATIVE DISCLOSURE) IN THIS PROXY STATEMENT, AND PROXIES SOLICITED BY THE BOARD OF DIRECTORS WILL BE SO VOTED IN THE ABSENCE OF INSTRUCTIONS TO THE CONTRARY.**

**ITEM 3**

**ADOPTION OF AMENDMENT TO THE 2003 LONG-TERM EXECUTIVE COMPENSATION PLAN**

**THE PROPOSAL** The Board of Directors has adopted an amendment to the 2003 Long-Term Executive Compensation Plan, as amended (the 2003 Plan ), to increase by 4,000,000 the aggregate number of shares the Company is authorized to issue under such Plan. As more fully described below this would increase the number of shares authorized to be issued under the 2003 Plan from 10,000,000 to 14,000,000.

**AS DESCRIBED MORE FULLY BELOW, THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE APPROVAL OF THE AMENDMENT TO THE 2003 LONG-TERM EXECUTIVE COMPENSATION PLAN. PROXIES SOLICITED BY THE BOARD OF DIRECTORS WILL BE SO VOTED IN THE ABSENCE OF INSTRUCTIONS TO THE CONTRARY.**

**BACKGROUND** The 2003 Plan was adopted by the Board of Directors of the Company on July 1, 2002 to replace the 1993 Long-Term Executive Compensation Plan, which preceded it. The 2003 Plan was approved by the shareholders of the Company on September 11, 2002 and became effective on July 1, 2003.

The purpose of the 2003 Plan is to provide long-term incentives and rewards to senior executives and key employees responsible for the growth of the Company and creation of value for shareowners. The Board of Directors believes

that incentive stock options, nonqualified stock options, restricted shares of the Company's Common Stock ( Common Stock ) and other awards available for grant under the 2003 Plan provide a form of incentive that, if properly designed, can align the economic interests of management and other key employees with those of the Company's shareholders.

Currently, the 2003 Plan authorizes the Company to issue up to 10,000,000 shares of Common Stock pursuant to awards made under the Plan. The Board may make equitable adjustments to such aggregate number in the event of any changes to the capital structure of the Company, including but not limited to a change resulting from a stock dividend or split-up, or combination or reclassification of shares. The aggregate number of shares of Common Stock authorized for issuance reflects the two-for-one Common Stock split effected August 22, 2005.

In addition to the 2003 Plan, the 1999 Stock Option Plan for Seasonal Employees (the Seasonal Plan ) authorizes the Company to issue up to 46,000,000 shares of Common Stock under various types of incentive awards. Through June 30, 2009, 34,919,914 options, net of forfeitures, have been awarded under the Seasonal Plan, of which 7,064,610 remain outstanding. The Company has decided to terminate the Seasonal Plan, except with respect to outstanding options thereunder. As a result of termination of the Seasonal Plan, 11,080,086 shares of

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Common Stock formerly available for issuance will be left unused permanently. This termination (and the resulting 11,080,086 share decrease) will be effective whether or not the amendment increasing the authorized shares under the 2003 Plan by 4,000,000 shares is approved.

**MATERIAL FEATURES OF THE 2003 PLAN** The material features of the 2003 Plan are summarized below. The only aspect of the Plan being changed by the proposed amendment is the number of shares available for issuance. All other provisions of the Plan described herein would remain as already in effect. The summary is qualified in its entirety by reference to the specific provisions of the 2003 Plan, as proposed to be amended, the full text of which is set forth as Appendix A to this proxy statement.

**ADMINISTRATION** The 2003 Plan is administered by the Compensation Committee of the Board of Directors of the Company (the Committee). All members of the Committee are non-employee directors of the Company and such members are not eligible to participate in the 2003 Plan. The Committee has the authority to determine, within the limits of the express provisions of the 2003 Plan, the individuals to whom awards will be granted, the nature, amount and terms of such awards and the objectives and conditions for earning such awards. The Committee may delegate to the Chief Executive Officer of the Company the authority to make such determinations, provided that any authority so delegated may not apply to awards to executive officers of the Company and may be exercised only in accordance with the 2003 Plan and any guidelines, rules and limitations which the Committee may prescribe.

**ELIGIBLE PARTICIPANTS AND PLAN SHARES** The Committee may grant awards to any employee of the Company or its direct or indirect subsidiaries, or to the Company's non-executive Chairman of the Board. The highest number of persons employed by subsidiaries of the Company during the fiscal year ended April 30, 2009, including seasonal employees, was approximately 125,756. The Company anticipates that for the foreseeable future participation in the 2003 Plan will not include part time or seasonal employees. There are today approximately 9,000 full time employees. Such number may increase with acquisitions by the Company or through internal growth. No ISO may be granted to an employee owning more than 10% of the combined voting power of all classes of stock of the Company.

Shares of Common Stock not actually issued (as a result, for example, of the lapse of an option, the failure of a recipient to earn an award, the payment of an award in cash or a combination of cash and Common Stock or the payment in respect of an award through cashless exercise) are available for issuance pursuant to further grants. Each year, some awards made under 2003 Plan in previous years expire, are cancelled or are forfeited, and the shares of Common Stock underlying those awards again become available for issuance under the Plan. The Company has had in the past, and has currently, outstanding awards under the 2003 Plan in excess of the number of shares issuable under the Plan. For example, the total of all shares issued under the 2003 Plan plus outstanding awards under the 2003 Plan at April 30, 2009 aggregated approximately 12,500,000 shares and currently aggregates approximately 13,000,000 shares.

Based on outstanding awards and the Company's expiration, cancellation and forfeiture experience, the Company does not anticipate that shares to be issued under currently outstanding awards would exceed the number of shares issuable under the 2003 Plan. The Compensation Committee will in any event exercise its authority under the 2003 Plan to prevent any issuance in excess of the number of shares issuable. Nonetheless, upon becoming aware of the practice of making awards in excess of the number of shares issuable under the 2003 Plan, the Board of Directors has directed that this practice shall cease. Therefore, going forward (except for awards covering approximately 50,000 shares already approved by the Compensation Committee regarding new employees), awards will only be made under the 2003 Plan if after such award the total number of shares subject to all awards outstanding at the time will not exceed the number of shares remaining available for issuance under the Plan.

If the amendment to the 2003 Plan to increase by 4,000,000 the number of shares authorized for issuance is passed by shareholders, this increase would cover outstanding awards in excess of the current number of issuable shares and provide sufficient shares for additional grants that may be appropriate before the annual meeting of shareholders in 2010. The Compensation Committee and the Board of Directors expect to conduct a comprehensive review of equity compensation plans, policies and practices prior to the annual meeting of shareholders in 2010 and to propose such amendments as are appropriate to equity compensation programs at that time. Such potential amendments could include amendments to increase the number of shares that may be issued under the 2003 Plan, although the Company will not consider any such further amendments until the Board's review of equity incentive programs has been completed.

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**TYPES OF AWARDS** Awards under the 2003 Plan may include shares of Common Stock, Restricted Shares, nonqualified stock options, incentive stock options ( ISOs ), stock appreciation rights ( SARs ), performance shares, performance units, as well as other types of awards that the Committee in its discretion may determine are consistent with the objectives and limitations of the 2003 Plan. Shares of Common Stock to be delivered or purchased under the 2003 Plan may be either authorized but unissued Common Stock or treasury shares.

Restricted Shares are shares of Common Stock issued to a recipient 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. A SAR is the right to receive cash, Common Stock or both based on the increase in the market value of the shares of Common Stock covered by such SAR from the initial date of the performance period for such SAR to the date of exercise. A performance share is the right to receive, upon satisfying designated performance goals within a performance period, cash, Common Stock or both based on the market value of shares of Common Stock covered by such performance shares at the close of the performance period. A performance unit is the right to receive cash, Common Stock or both upon satisfying designated performance goals within a performance period.

The Committee may determine that all or a portion of an award may be deferred, that it may be vested at such times and upon such terms as the Committee may select, or that a recipient must be an employee at the time the award is paid or exercised. An employee may be granted multiple awards in any one calendar year, provided that the aggregate number of shares of Common Stock subject to such awards under the 2003 Plan may not exceed 1,000,000. The 2003 Plan provides that ISOs may be granted to a recipient during a calendar year only if the aggregate fair market value (determined as of the time an ISO is granted) of Common Stock with respect to which ISOs are exercisable for the first time by such recipient during any calendar year under the 2003 Plan and any other incentive stock option plans maintained by the Company does not exceed \$100,000. No ISO is exercisable later than ten years after the date it is granted.

Neither the Company nor any subsidiary receives from the recipient of an award any monetary consideration for the granting of the award.

**ASSIGNABILITY** No award granted pursuant to the 2003 Plan is transferable or assignable by its recipient other than by will or the laws of descent and distribution; provided, however, that a recipient who was granted an award in consideration for serving as the Company's non-executive Chairman of the Board may transfer or assign an award to an entity that is or was a shareholder of the Company at any time during which the recipient served as the Company's non-executive Chairman of the Board (a Shareholder Entity ) if (i) the recipient is affiliated with the manager of the investments made by such Shareholder Entity or otherwise serves on the Company's Board of Directors at the Shareholder Entity's direction or request, and (ii) pursuant to the Shareholder Entity's governance documents or any regulatory, contractual or other requirement, any consideration the recipient may receive as compensation for serving as a director of the Company must be transferred, assigned, surrendered or otherwise paid to the Shareholder Entity.

**ANTI-DILUTION PROTECTION** In the event of any changes in the capital structure of the Company, including a change resulting from a stock dividend or stock split, or combination or reclassification of shares, the Board of Directors is empowered to make such equitable adjustments with respect to awards or any provisions of the 2003 Plan as it deems necessary and appropriate, including, if necessary, any adjustments in the maximum number of shares of Common Stock subject to the Plan, the number of shares of Common Stock subject to an outstanding award, or the maximum number of shares that may be subject to one or more awards granted to any one recipient during a calendar year.

**MARKET VALUE RESTRICTIONS** The amounts of certain awards are based on the market value of a share of Common Stock at a specified point in time. The exercise price per share of Common Stock under each nonqualified stock option or ISO granted under the 2003 Plan, which is paid to the Company at the time of the exercise, shall be determined by the Committee, but may not be less than the market value of such Common Stock on the date of grant of such option. The exercise price for each option will remain constant during the life of the option, subject to adjustment pursuant to the anti-dilution provisions of the 2003 Plan described above. The market value of a share of Common Stock on the date an SAR is granted shall be the base value of such SAR. On August 6, 2009, the last reported sale price of the Company's Common Stock on the New York Stock Exchange was \$16.88 per share.

**AMENDMENTS AND TERMINATIONS** The Board of Directors may at any time terminate or amend the 2003 Plan, provided that no such action may be taken that adversely affects any rights or obligations with respect to any awards theretofore made under the Plan without the consent of the recipient. No amendment may be made that

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would increase the maximum number of shares of Common Stock that may be issued under the 2003 Plan (unless such increase is a result of a change in the capital structure of the Company), change the termination date of the 2003 Plan, or delete or amend the market value restrictions contained in the 2003 Plan on the stock option exercise price or the base value of an SAR without the prior approval of the holders of a majority of the outstanding shares of Common Stock represented in person or by proxy at a duly constituted meeting of shareholders. The Committee may grant Awards at any time prior to July 1, 2013, on which date the 2003 Plan will terminate except as to Awards then outstanding thereunder, which Awards shall remain in effect until they have expired according to their terms or until July 1, 2023, whichever first occurs.

**NEW PLAN BENEFITS** Awards under the 2003 Plan are granted at the discretion of the Compensation Committee, and, accordingly, the exact types and amounts of any future awards to be made by the Committee to participants pursuant to the 2003 Plan are not yet determinable. In addition, the value of awards granted under the 2003 Plan will depend on a number of factors, including the fair market value of our Common Stock on future dates and the exercise decisions made by the participants. (See also **Eligible Participants and Plan Shares** above.) Consequently, it is not possible to determine the benefits that might be received by participants receiving grants under the 2003 Plan. The table below sets forth awards made under the 2003 Plan during fiscal year 2009 to the persons or groups specified below:

Name of Individual or Group	Dollar Value (\$) <sup>(1)</sup>	Stock Options (#)	Restricted Shares (#)	Performance Shares (#)
Russell P. Smyth, Chief Executive Officer	3,480,000	900,000		
Becky S. Shulman, Chief Financial Officer	475,831	96,401		5,463
Steven Tait, President, RSM McGladrey Business Services, Inc. <sup>(2)</sup>	571,006	115,681		6,556
Timothy C. Gokey, President, U.S. Tax Operations of HRB Tax Group, Inc. <sup>(3)</sup>	1,893,361	353,377	10,810	9,834
Tammy S. Serati, Senior Vice President Human Resources Executive Officer Group <sup>(4)</sup>	285,504	57,841		3,278
Non-Executive Director Group	4,094,822	1,012,468	3,572	5,463
Non-Executive Officer Employee Group	26,681,544	1,760,015	833,755	77,537

**NOTES:**

- (1) The Black-Scholes valuation model was used to estimate the dollar value of stock options included within this amount. The dollar value included within this amount for restricted shares and performance shares was based on the closing market price of the Company's stock on the applicable grant date.
- (2) Mr. Tait resigned as President of RSM McGladrey Business Services, Inc. as of April 30, 2009.
- (3) Mr. Gokey resigned as President of U.S. Tax Operations of HRB Tax Group, Inc. on May 8, 2009.
- (4) Excludes Messrs. Tait and Gokey who are no longer executive officers of the Company.

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**STOCK OPTION AWARDS** The following table sets forth certain information regarding stock option awards made under the 2003 Plan during fiscal year 2009 for (i) the Named Executive Officers (excluding Mr. Bennett), (ii) all current executive officers as a group, (iii) all current directors who are not executive officers as a group, (iv) each nominee for election as a director, (v) each person who has received 5% or more of such options, and (vi) all employees, including all current officers who are not executive officers, as a group. The Company is not aware of any associates of any of the persons listed in (i)-(iv) above who have received options.

Name of Individual or Group	Stock Options (#)
Russell P. Smyth, Chief Executive Officer and Director Nominee	900,000
Becky S. Shulman, Chief Financial Officer	96,401
Steven Tait, President, RSM McGladrey Business Services, Inc. <sup>(1)</sup>	115,681
Timothy C. Gokey, President, U.S. Tax Operations of HRB Tax Group, Inc. <sup>(2)</sup>	353,377
Tammy S. Serati, Senior Vice President - Human Resources	57,841
Current Executive Officer Group <sup>(3)</sup>	1,012,468
Non-Executive Director Group	
Alan M. Bennett, Director Nominee	
Thomas M. Bloch, Director Nominee	
Richard C. Breeden, Director Nominee	
Robert A. Gerard, Director Nominee	
Len J. Lauer, Director Nominee	
David B. Lewis, Director Nominee	
Tom D. Seip, Director Nominee	
L. Edward Shaw, Jr., Director Nominee	
Christianna Wood, Director Nominee	
Non-Executive Officer Employee Group	1,760,015

**NOTES:**

- (1) Mr. Tait resigned as President of RSM McGladrey Business Services, Inc. as of April 30, 2009.
- (2) Mr. Gokey resigned as President of U.S. Tax Operations of HRB Tax Group, Inc. on May 8, 2009.
- (3) Excludes Messrs. Tait and Gokey who are no longer executive officers of the Company.

**FEDERAL INCOME TAX CONSEQUENCES** The federal income tax consequences of the issuance and/or exercise of awards under the 2003 Plan are described below. The following information is not a definitive explanation of the tax consequences of the awards, and recipients should consult with their own tax advisors with respect to the tax consequences inherent in the ownership and/or exercise of the awards, and the ownership and disposition of any underlying securities.

**Common Stock Awards** The recipient of a Common Stock award will recognize ordinary income for federal income tax purposes at the time of receipt of Common Stock in an amount equal to the fair market value of the Common Stock received. The Company will be entitled to a deduction for such amount as and when the ordinary income is recognized by the recipient. Upon disposition of any Common Stock received, the recipient will recognize long-term or short-term capital gain or loss, depending upon the period for which the recipient has held the shares, in an amount equal to the excess of the selling price over the fair market value of such shares on the date of receipt.

**Restricted Shares** A recipient will not be taxed on the date of an award of Restricted Shares, but will be taxed at ordinary income rates on the fair market value of any restricted shares as of the date that the restrictions lapse, unless the recipient, within 30 days after transfer of such Shares to the recipient, elects under Section 83(b) of the Code to include in income the fair market value of the Restricted Shares as of the date of such transfer. The Company will be entitled to a corresponding deduction. Any disposition of shares after restrictions lapse will be subject to the regular rules governing long-term and short-term capital gains and losses, with the basis for this

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purpose equal to the fair market value of the shares at the end of the restricted period (or on the date of the transfer of the restricted shares, if the employee elects to be taxed on the fair market value upon such transfer). Dividends received by a recipient during the restricted period will be taxable to the recipient at ordinary income tax rates and will be deductible by the Company unless the recipient has elected to be taxed on the fair market value of the restricted shares upon transfer, in which case they will thereafter be taxable to the recipient as dividends and will not be deductible by the Company.

**Incentive Stock Options** The 2003 Plan qualifies as an incentive stock option plan within the meaning of Section 422 of the Internal Revenue Code. A recipient who is granted an ISO will not recognize any taxable income for federal income tax purposes on either the grant or the exercise of the ISO.

If the recipient disposes of the shares purchased pursuant to the ISO more than two years after the date of grant and more than one year after the transfer of the shares to him (the required statutory holding period), (a) the recipient will recognize long-term capital gain or loss, as the case may be, equal to the difference between the selling price and the option price; and (b) the Company will not be entitled to a deduction with respect to the shares of stock so issued.

If the holding period requirements are not met, any gain realized upon disposition will be taxed as ordinary income to the extent of the excess of the lesser of (i) the excess of the fair market value of the shares at the time of exercise over the option price, or (ii) the gain on the sale. The Company will be entitled to a deduction in the year of disposition in an amount equal to the ordinary income recognized by the recipient. Any additional gain will be taxed as short-term or long-term capital gain depending upon the holding period for the stock. A sale for less than the option price results in a capital loss.

The excess of the fair market value of the shares on the date of exercise over the option price is a minimum tax addition. A corresponding minimum tax subtraction is allowed in the year in which the shares are disposed. See Alternative Minimum Tax, below.

**Nonqualified Stock Options** The recipient of a nonqualified stock option under the 2003 Plan will not recognize any income for federal income tax purposes on the grant of the option. Generally, on the exercise of the option, the recipient will recognize taxable ordinary income equal to the excess of the fair market value of the shares on the exercise date over the option price for the shares. The Company generally will be entitled to a deduction on the date of exercise in an amount equal to the ordinary income recognized by the recipient. Upon disposition of the shares purchased pursuant to the stock option, the recipient will recognize long-term or short-term capital gain or loss, as the case may be, equal to the difference between the amount realized on such disposition and the basis for such shares, which basis includes the amount previously recognized by the recipient as ordinary income.

**Stock Appreciation Rights** A recipient who is granted stock appreciation rights will not recognize any taxable income on the receipt of the SARs. Upon the exercise of a SAR, (a) the recipient will recognize ordinary income equal to the amount received (the increase in the fair market value of one share of the Company's Common Stock from the date of grant of the SAR to the date of exercise) and (b) the Company will be entitled to a deduction on the date of exercise in an amount equal to the ordinary income recognized by the recipient.

**Performance Shares and Performance Units** A recipient of performance shares or performance units will not recognize any income for federal income tax purposes on the date of the grant of the right to receive performance shares or units. The recipient will recognize ordinary income for federal income tax purposes at the time of receipt of cash and/or Common Stock with respect to the performance shares or units in an amount equal to the excess, if any, of the fair market value of the performance shares or units on the date received over the price of the performance shares or units on the date of grant. The Company will be entitled to a deduction on the date of receipt of the performance shares by the recipient in an amount equal to the ordinary income recognized by the recipient. Upon disposition of any

stock received, the recipient will recognize long-term or short-term capital gain or loss depending upon the period for which he or she has held the stock in an amount equal to the difference between the amount realized and the fair market value of the stock on the date of receipt.

**ALTERNATIVE MINIMUM TAX** In addition to the federal income tax consequences described above, a recipient may be subject to the alternative minimum tax ( AMT ), which is payable only to the extent it exceeds the recipient's regular tax liability. The AMT is assessed on the recipient's alternative minimum taxable income in excess of an exemption amount that varies by filing status. For purposes of computing the AMT, the alternative minimum taxable income is equal to taxable income (1) increased by tax preference items and (2) increased or reduced by certain AMT adjustments. Federal law currently provides for a minimum tax credit that may be

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applied against the recipient's regular tax liability in years following a year in which the recipient is subject to AMT. The minimum tax credit is limited to the excess, if any, of the regular tax over the tentative AMT for the year. Any credit not used because of the limitation may be carried forward indefinitely.

**EFFECTIVE DATE** The amendment to the 2003 Plan shall be effective immediately on the date of its approval by shareholders. If the amendment is not approved by such shareholders, the 2003 Plan will remain in effect as it currently exists, without the increase in available shares that the proposed amendment would authorize.

**SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS** See Equity Compensation Plans on page 45.

**APPROVAL REQUIREMENTS** The affirmative vote of a majority of shares present in person or represented by proxy, and entitled to vote on this proposal, is necessary for the approval of the amendment to the 2003 Plan. Shares represented by a proxy which directs that the shares abstain from voting or that a vote be withheld on the proposal are deemed to be represented at the meeting as to that matter, and have the same effect as a vote against the proposal. Broker non-votes will have no effect on the outcome of the vote for this proposal.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE APPROVAL OF THE AMENDMENT TO THE 2003 LONG-TERM EXECUTIVE COMPENSATION PLAN. PROXIES SOLICITED BY THE BOARD OF DIRECTORS WILL BE SO VOTED IN THE ABSENCE OF INSTRUCTIONS TO THE CONTRARY.**

**ITEM 4**

**RATIFICATION OF APPOINTMENT OF INDEPENDENT ACCOUNTANTS**

The Board of Directors has appointed Deloitte & Touche LLP ( Deloitte ) as independent accountants to audit the Company's financial statements for the fiscal year ending April 30, 2010. A representative of Deloitte is expected to attend the annual meeting to respond to appropriate questions and will have an opportunity to make a statement if they so desire. For additional information regarding the Company's relationship with Deloitte, please refer to the Audit Committee Report on page 19.

KPMG LLP ( KPMG ) had previously served as the Company's independent accountants from July 10, 2003 until September 20, 2007, at which time the Company dismissed KPMG as the Company's independent accountants. The decision to dismiss KPMG was recommended and approved by the Audit Committee of the Company's Board of Directors (the Audit Committee ).

The audit reports of KPMG on the consolidated financial statements as of April 30, 2007 and 2006 and for the years then ended contained no adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principle. The audit reports of KPMG on management's assessment of the effectiveness of internal control over financial reporting and the effectiveness of internal control over financial reporting as of April 30, 2007 and 2006 did not contain any adverse opinion or disclaimer of opinion nor were they qualified or modified as to uncertainty, audit scope or accounting principle.

During the Company's fiscal years ended April 30, 2007 and 2006, and through September 20, 2007, (i) there was no disagreement (as defined in Item 304(a)(1)(iv) of Regulation S-K and related instructions) with KPMG on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreement, if not resolved to the satisfaction of KPMG, would have caused KPMG to make reference to the subject

matter of the disagreement in connection with its report and (ii) there were no reportable events (as defined in Item 304(a)(1)(v) of Regulation S-K), except for the material weakness in internal control in financial reporting related to the valuation of certain residual interests in securitizations, which KPMG advised the Company of and was reported by the Company in its quarterly report on Form 10-Q for the quarter ended January 31, 2007. The material weakness was remediated as of April 30, 2007 and, as indicated above, KPMG issued an unqualified report on the Company's internal control over financial reporting as of April 30, 2007. The Audit Committee discussed the material weakness with KPMG, and the Company has authorized KPMG to respond fully to inquiries from KPMG's successor regarding the material weakness.

The Company requested that KPMG furnish to the Company a letter addressed to the Securities and Exchange Commission stating whether or not it agrees with the statements contained in the preceding two paragraphs. Such letter, dated September 24, 2007, was filed as an exhibit to the Current Report on Form 8-K filed by the Company on September 24, 2007.

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On October 12, 2007, the Audit Committee engaged Deloitte as its independent accountants for the fiscal year ending April 30, 2008. During the Company's fiscal years ended April 30, 2007 and 2006, and the interim period prior to the engagement of Deloitte, neither the Company nor any one acting on its behalf consulted with Deloitte regarding (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company's financial statements or (ii) any matter that was either the subject of a disagreement (as defined in Item 304(a)(1)(iv) and the related instructions of Regulation S-K) or a reportable event (as defined in Item 304(a)(1)(v) of Regulation S-K).

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE RATIFICATION OF THE APPOINTMENT OF DELOITTE & TOUCHE LLP, AND PROXIES SOLICITED BY THE BOARD OF DIRECTORS WILL BE SO VOTED IN THE ABSENCE OF INSTRUCTIONS TO THE CONTRARY.**

**AUDIT COMMITTEE REPORT**

The Company's management is responsible for preparing financial statements in accordance with generally accepted accounting principles and the financial reporting process, including the Company's disclosure controls and procedures and internal control over financial reporting. The Company's independent accountants are responsible for (i) auditing the Company's financial statements and expressing an opinion as to their conformity to accounting principles generally accepted in the United States and (ii) auditing management's assessment of the Company's internal control over financial reporting and expressing an opinion on such assessment. The Audit Committee of the Board of Directors, composed solely of independent directors, meets periodically with management, the independent accountants and the internal auditor to review and oversee matters relating to the Company's financial statements, internal audit activities, disclosure controls and procedures and internal control over financial reporting and non-audit services provided by the independent accountants.

The Audit Committee has reviewed and discussed with management and Deloitte & Touche LLP (Deloitte), the Company's independent accountants, the Company's audited financial statements for the fiscal year ended April 30, 2009. The Audit Committee has also discussed with Deloitte the matters required to be discussed by Statement on Auditing Standard No. 114, *The Auditor's Communication With Those Charged With Governance* and Rule 2-07, *Communication with Audit Committees*, of Regulation S-X, of the U.S. Securities and Exchange Commission, relating to communication with audit committees. In addition, the Audit Committee has received from Deloitte the written disclosures and the letter required by applicable requirements of the Public Company Accounting Oversight Board regarding Deloitte's communications with the Audit Committee concerning independence; has discussed with Deloitte their independence from the Company and its management; and has considered whether Deloitte's provision of non-audit services to the Company is compatible with maintaining the auditor's independence.

Based on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors of the Company that the Company's audited financial statements be included in the Annual Report on Form 10-K for the fiscal year ended April 30, 2009, for filing with the Securities and Exchange Commission.

**AUDIT COMMITTEE**

David Baker Lewis, Chairman  
Alan M. Bennett  
Tom D. Seip  
L. Edward Shaw, Jr.

**Table of Contents****AUDIT FEES**

The following table presents fees for professional services rendered by Deloitte & Touche LLP for the audit of the Company's annual financial statements for the years ended April 30, 2009 and 2008 and fees billed for other services rendered by Deloitte & Touche LLP for such years. Fees disclosed below include fees actually billed and expected to be billed for services relating to the applicable fiscal year. Amounts previously disclosed for fiscal 2008 fees have been adjusted to reflect actual billings for certain services rather than previous estimates.

Fiscal Year	2009	2008
Audit fees <sup>(1)</sup>	<b>\$4,336,801</b>	\$8,388,184 <sup>(2)</sup>
Audit-related fees	<b>183,290</b>	106,141
Tax fees	<b>342,396</b>	821,560
All other fees		116,651 <sup>(3)</sup>
Total fees	<b>\$4,862,487</b>	\$9,432,536

(1) Audit fees in fiscal year 2008 were greater than fiscal year 2009 due primarily to reduced audit scope relating to the disposition of certain businesses as well as transition-related audit fees attributable to the change in independent auditors during the second quarter of fiscal year 2008.

(2) Excludes fees of \$848,120 paid to KPMG LLP while they served as our independent accountants during fiscal year 2008.

(3) Excludes fees of \$149,310 paid to KPMG LLP while they served as our independent accountants during fiscal year 2008.

Audit Fees consist of fees for professional services rendered for the audit of the Company's financial statements and review of financial statements included in the Company's quarterly reports and services normally provided by the independent auditor in connection with statutory and regulatory filings or engagements.

Audit-Related Fees are fees for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements or that are traditionally performed by the independent auditor. Amounts included above consist of fees incurred relating to comfort letter procedures for registration statement filings and other audit-related services.

Tax Fees consist of fees for the preparation of original and amended tax returns, claims for refunds and tax payment-planning services for tax compliance, tax planning, tax consultation and tax advice. Amounts included above consist of fees incurred relating to transfer pricing studies and other tax advisory services.

All other fees are fees billed for professional services that were not the result of an audit or review.

The Audit Committee has adopted policies and procedures for pre-approving audit and non-audit services performed by the independent auditor so that the provision of such services does not impair the auditor's independence. Under the Audit Committee's pre-approval policy, the terms and fees of the annual audit engagement require specific Audit Committee approval. Other types of service are eligible for general pre-approval. Unless a type of service to be provided by the independent auditor has received general pre-approval, it will require specific Audit Committee pre-approval. In addition, any proposed services exceeding pre-approved cost levels will require specific pre-approval.

by the Audit Committee.

General pre-approval granted under the Audit Committee's pre-approval policy extends to the fiscal year next following the date of pre-approval. The Audit Committee reviews and pre-approves services that the independent auditor may provide without obtaining specific Audit Committee pre-approval on an annual basis and revises the list of general pre-approved services from time to time. In determining whether to pre-approve audit or non-audit services (regardless of whether such approval is general or specific pre-approval), the Audit Committee will consider whether such services are consistent with the Securities and Exchange Commission's rules on auditor independence. The Audit Committee will also consider whether the independent auditor is best positioned to provide the most effective and efficient service and whether the service might enhance the Company's ability to manage or control risk or improve audit quality. All such factors will be considered as a whole and no one factor should necessarily be determinative. The Audit Committee will also consider the relationship between fees for audit and non-audit services in deciding whether to pre-approve any such services. The Audit Committee may determine for each fiscal year the appropriate ratio between fees for Audit Services and fees for Audit-Related Services, Tax Services and All Other Services.

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The Audit Committee may delegate pre-approval authority to one or more of its members. The member or members to whom such authority is delegated shall report any pre-approval decisions to the Audit Committee at its next scheduled meeting.

The Audit Committee has concluded that the provision of non-audit services provided to the Company by its independent accountant during the 2009 fiscal year was compatible with maintaining the independent accountant's independence.

## **EXECUTIVE COMPENSATION**

### **COMPENSATION DISCUSSION AND ANALYSIS**

**INTRODUCTION** We are committed to increasing shareholder value through profitable growth and the execution of specific strategies for our businesses. Superior performance by our executive officers and management team is essential to achieving that goal. To that end, we have designed our executive compensation program to attract, retain, motivate and reward a high-performing executive team.

For the fiscal year ended April 30, 2009, our named executive officers ( NEOs ) consisted of the following:

#### **Officers**

Russell P. Smyth	President and Chief Executive Officer
Becky S. Shulman	Senior Vice President and Chief Financial Officer
Steven Tait*	President, RSM McGladrey Business Services, Inc.
Timothy C. Gokey**	President, U.S. Tax Operations of HRB Tax Group, Inc.
Tammy S. Serati	Senior Vice President, Human Resources

#### **Former Officer**

Alan M. Bennett	Former Chief Executive Officer
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\* Mr. Tait resigned as President of RSM McGladrey Business Services as of April 30, 2009.

\*\* Mr. Gokey resigned as President of U.S. Tax Operations of HRB Tax Group, Inc. on May 8, 2009.

**EXECUTIVE COMPENSATION PHILOSOPHY AND CORE PRINCIPLES** Our philosophy is to link executive compensation closely to shareholder value creation. This linkage may be direct to total shareholder return, or to financial, operational, and individual measures that we believe ultimately drive shareholder value. We establish performance objectives, consistent with our business planning process, that reflect meaningful progress toward strategy execution and shareholder value creation. Our executive compensation programs are designed to achieve pay for performance and alignment with long-term shareholder interests.

When determining the type and amount of executive compensation, we emphasize the direct elements of pay (current cash compensation and long-term, equity-based compensation) as opposed to other, more indirect pay programs (i.e., executive benefits and perquisites). We combine these components in a manner we believe delivers appropriate recognition for contributing to current business results, while at the same time motivating our executives to enhance future business results. We determine the mix between cash compensation and long-term, equity-based compensation based on market competitiveness and what we believe will motivate our executive team to achieve our business objectives.

The Compensation Committee works with compensation consultants to define the appropriate market for executive compensation and benchmark our executive compensation program against that market each year. We benchmark pay relative to a specific group of peer companies (the Peer Group ) based on publicly disclosed information. We also review pay data from multiple survey sources, reflective of general industry pay levels for companies of relevant size, including the 25th, 50th and 75th percentile market pay data for each of the NEOs. For fiscal year 2009, these survey sources were the Hewitt TCM Executive Survey, the Mercer Benchmark Database Survey, the Towers Perrin CDB Executive Survey and the Watson Wyatt Top Management Survey. The Compensation Committee reviews summary market data to confirm that the market references are appropriate for our business and the industries in which we compete for executive talent. For current and former NEOs, Peer Group data and survey data are considered to develop market references.

Generally, our philosophy is for targeted total compensation to approximate the market median with a significant portion of pay tied to performance, although individual executive officers may have targeted total pay above or below market median to reflect factors such as experience, role, performance, etc. The Compensation Committee generally sets performance objectives so that targeted total compensation levels

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can be achieved only when targeted business performance objectives are met. Consequently, executives may receive total compensation substantially above or below targeted levels depending upon business performance.

**PEER GROUP** The Compensation Committee reviews the Peer Group annually and revises the Peer Group as circumstances warrant. In fiscal year 2009, we revised our Peer Group to reflect our current business and, in particular, our exit from the mortgage business. Generally, we established an objective process for identifying service-oriented (as opposed to manufacturing) companies of relevant size. More specifically, we identified members of the S&P 1500 that fall within service-oriented categories under the Global Industry Classification Standards ( GICS ). We then narrowed this group to the 40 companies immediately adjacent to us in terms of annual revenue (20 larger and 20 smaller), subject to the following additional constraints: (i) market capitalization approximately one half to twice our market capitalization at the time of analysis; (ii) market-capitalization-to-revenue ratio approximately one half to twice our ratio at the time of analysis; (iii) positive net income; and (iv) no more than 20% of the fiscal year 2009 Peer Group may fall within the financials sector as defined by GICS. The resulting Peer Group represents a broad spectrum of companies in service and service-related industries. The Peer Group for fiscal year 2009 consisted of the following companies:

Gamestop	Wyndham Worldwide
Bed Bath & Beyond	Cincinnati Financial
McGraw-Hill Companies	Washington Post
Whole Foods Market	Old Republic International
Avery Dennison	Fiserv
Autozone	Abercrombie & Fitch
Starwood Hotels & Resorts	Cintas
Pitney Bowes	Molex
Allied Waste Industries	Brinks
Ross Stores	Republic Services
Affiliated Computer Services	American Eagle Outfitters
Darden Restaurants	Protective Life
Advance Auto Parts	Tiffany & Co
Everest Re Group	Apollo Group Inc.
Fidelity National Information Services	Expedia
Robert Half	O Reilly Automotive
Comerica	EW Scripps
M&T Bank	DST Systems
Legg Mason	Alliance Data Systems
Marshall & Isley	Equifax

**USE OF EXTERNAL CONSULTANTS** The Compensation Committee retains Semler Brossy Consulting Group, LLC ( Semler Brossy ) as an external compensation consultant for objective advice and assistance on executive compensation matters. Semler Brossy advises the Committee on issues pertaining to executive compensation, including the assessment of market compensation levels, our pay positioning relative to the market, the mix of pay, incentive plan design, and other executive employment terms. Semler Brossy provides its advice based in part on prevailing and emerging market practices, as well as our specific business context. In fiscal year 2009, Semler Brossy performed no other services for the Company. It is the general policy of the Board that compensation consultants for the Compensation Committee must serve the Committee exclusively, and may not perform any other services for the Company at any time. The Compensation Committee has the right to terminate Semler Brossy's services at any time.

**EXECUTIVE EVALUATION PROCESS** Our Compensation Committee normally reviews our CEO's performance each year against the financial, strategic and individual objectives established previously by the Board of Directors. Based upon its review, the Compensation Committee makes recommendations to the non-employee members of the Board of Directors regarding the CEO's compensation. The non-employee members of the Board then determine the CEO's compensation, taking into account the Compensation Committee's recommendation and its own review of the CEO's performance. During fiscal year 2009, we hired Russell P. Smyth to serve as our President and Chief Executive Officer. Mr. Smyth's compensation for fiscal year 2009 was established during the course of negotiating his employment arrangement and thus was not subject to our normal CEO evaluation process.

Our Compensation Committee assesses the performance of other executive officers and approves the compensation of such officers, taking into account recommendations of the CEO. Our CEO and senior vice president of human resources assist the Compensation Committee in reaching compensation decisions regarding executives other than the CEO and the senior vice president of human resources. In addition, the CEO (with input

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from our senior executives) develops recommendations for the Board's approval regarding performance goals under our incentive compensation programs. Executive officers do not play a role in determining their own compensation, other than discussing their annual performance reviews with their supervisor.

**ELEMENTS OF EXECUTIVE COMPENSATION PROGRAM** Our executive compensation program consists of four elements: base salary, short-term incentives, long-term incentives and benefits and perquisites. Each of our compensation elements fulfills one or more of our objectives of attracting, retaining, motivating and rewarding a high-performing executive team. These elements are evaluated by our Compensation Committee, which has authority to approve certain matters and makes recommendations to the Board regarding matters requiring Board approval (such as the compensation of our CEO and certain actions under plans in which the CEO participates). The Board takes these recommendations into account in making determinations.

**Base Salary** We establish and pay base salaries at levels designed to enable us to attract and retain talented executives and to reward these executives for consistent high performance over a sustained time period. We determine executive base salaries based on the executive's role, experience, and performance, as well as relative responsibilities within the Company and market data for similar positions.

For fiscal year 2009, base salaries for our NEOs were as follows:

NEO	Fiscal Year 2009 Salary	% Increase from Fiscal Year 2008
<b>Officers</b>		
Russell P. Smyth	\$950,000	n/a
Becky S. Shulman	381,600	6.0%
Steven Tait	486,875	2.5%
Timothy C. Gokey	490,200	3.2%
Tammy S. Serati	295,260	3.6%
<b>Former Officer</b>		
Alan M. Bennett	900,000	0.0%

Mr. Smyth was hired to serve as our President and Chief Executive Officer beginning August 1, 2008 at a full-year base salary of \$950,000. The increase for Ms. Shulman reflected a general market increase intended to move her base pay closer to market given the short tenure in her role as chief financial officer. The increases for Messrs. Tait and Gokey and Ms. Serati reflected a general increase to keep pace with market movement.

In light of the Company's performance in fiscal year 2009 and the current economic climate, no increases in base salary were awarded to any of our NEOs for fiscal year 2010. Moreover, as noted above, Messrs. Tait and Gokey each have resigned as president of their respective business units and will thus not serve as NEOs in fiscal year 2010.

**Short-Term Incentive Compensation** Our short-term incentive ( STI ) compensation program is designed to reward executives for achieving pre-established annual financial and strategic objectives. The financial performance goals are based on our fiscal year business plan, which is developed by the CEO (with input from other senior executives) and approved by the Board. Performance targets in general are tied directly to the business plan. Threshold and maximum performance goals are set above and below the target goals to establish an appropriate relationship between changes in performance and changes in pay. Each year, the Compensation Committee reviews the financial performance goals and other strategic performance objectives for use under the STI compensation program for the following year.

We pay STI compensation following completion of our fiscal year, and generally pay STI compensation only to the extent the Company (or applicable business unit) has met the applicable financial and strategic performance objectives previously reviewed and approved by the Compensation Committee for business unit-level executives and by the Board for corporate-level executives. Prior to payment, the Compensation Committee reviews and approves the STI compensation payouts for business unit-level executives, and the Board (based on Compensation Committee recommendations) reviews and approves STI compensation payouts for corporate-level executives. STI compensation payouts can range from 0% to 200% of the target award based on actual performance against previously established objectives.

STI compensation payouts generally are paid in cash. Any payouts in excess of 150% of the targeted payouts are paid in restricted shares of our common stock ( Restricted Stock STI Payouts ) under terms and restrictions identical to those of restricted stock awarded as long-term incentive compensation as described below. The

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amount of restricted stock awarded is calculated by dividing the cash value of the applicable incentive compensation by the last reported closing price for our common stock as of the later of June 30 or the third trading day following our announcement of earnings for the most recently completed fiscal year (the date on which we historically have awarded restricted stock each year). We pay Restricted Stock STI Payouts to provide an incentive for sustained high performance over an extended time period.

*Actions Pertaining to Fiscal Year 2009 STI Compensation.* In June 2008, the Compensation Committee recommended and the non-employee members of the Board approved the fiscal year 2009 STI performance criteria and objectives for corporate-level executive officers:

<b>Criteria</b>	<b>Target</b>	<b>Weight</b>
Continuing Operations Net Earnings (in millions)	\$588.2	70.0%
Tax Segment Professional Services Clients (in thousands)	19,341	30.0%
		100%

These criteria were selected because they were believed to represent the key corporate and business unit drivers of shareholder value for fiscal year 2009. This performance framework emphasizes the importance of (i) our core businesses and (ii) client growth in our tax business as the key driver of shareholder value.

For business unit-level NEOs, STI performance criteria were weighted more towards business unit performance, with 30% of targeted STI compensation tied to corporate continuing operations net earnings and 70% based on business unit performance criteria (such as pre-tax earnings and client growth). This framework reflects the greater and more direct impact of business unit-level executives on their business units. These criteria were selected as the key corporate and business unit drivers of shareholder value.

The table below shows the target-level payouts under our 2009 STI program for our NEOs (the target opportunity for Mr. Smyth is prorated to reflect that he served as our president and chief executive office for only a portion of fiscal year 2009) and awards actually paid:

	(% of Base Salary)	Target Opportunity	Actual Award
<b>Officers</b>			
Russell P. Smyth	110%	\$783,750	\$783,750
Becky S. Shulman	60%	228,960	-0-
Steven Tait	70%	340,813	-0-
Timothy C. Gokey	70%	343,140	59,363
Tammy S. Serati	50%	147,630	-0-
<b>Former Officer</b>			
Alan M. Bennett	n/a	n/a	n/a

Mr. Smyth received the target level award pursuant to the terms of his negotiated employment agreement, which provided for a minimum guaranteed STI compensation award equal to 110% of his actual base salary paid for fiscal year 2009. Mr. Smyth was awarded a guaranteed minimum STI compensation payout as part of an overall compensation package intended to recruit and attract him to serve as our president and chief executive officer. For fiscal year 2009, Mr. Tait and Ms. Shulman and Ms. Serati received no STI compensation payout because the

Company and its business services unit failed to meet any of its minimum threshold STI performance criteria. Mr. Gokey received an STI compensation payout because the Company's tax segment earnings exceeded minimum threshold performance levels. Mr. Gokey's STI compensation payout was substantially less than his targeted STI compensation payout because the Company failed to achieve minimum STI performance criteria for (i) corporate continuing operations net earnings and (ii) tax segment professional services client growth.

During fiscal year 2009, Mr. Bennett received two bonus payments of \$562,500 and \$337,500. The first payment was made pursuant to the terms of his employment agreement as part of an overall compensation package intended to recruit and attract Mr. Bennett to serve as our interim chief executive officer through May 20, 2008. The second payment was made as an incentive for Mr. Bennett to continue serving as the Company's interim chief executive officer beyond the original term of his employment through the date the Company appointed a permanent chief executive officer.

*Actions Pertaining to Fiscal Year 2010 STI Compensation.* At their June 2009 meetings, the Compensation Committee recommended and the Board approved fiscal year 2010 target STI opportunities for our corporate-

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level NEOs, and our Compensation Committee approved target STI opportunities for our business unit-level NEOs as follows:

NEO	Target Opportunity (% of Base Salary)	Target Opportunity
Russell P. Smyth	110%	\$1,045,000
Becky S. Shulman	60%	228,960
Steven Tait	n/a	n/a
Timothy C. Gokey	n/a	n/a
Tammy S. Serati	50%	147,630

These target opportunities are intended to place a significant portion of our NEOs' fiscal year 2010 total cash compensation at risk with company performance, thereby aligning our NEOs' compensation with shareholder interests. These target opportunities are also intended to provide competitive total compensation opportunities within our pay positioning context discussed earlier.

Fiscal year 2010 STI performance criteria for our NEOs will focus on net earnings and client growth. These criteria were selected as the key business drivers of shareholder value and are similar to the fiscal year 2009 STI performance criteria. The performance targets are established at levels such that executives will receive a target-level payout when we meet our fiscal year 2010 business plan goals.

**Long-Term Incentive Compensation** We pay equity-based compensation to encourage stock ownership by our executive officers and to provide executives an economic interest in increasing shareholder value over the long term, thereby aligning executive and shareholder interests. We also use equity-based compensation to encourage retention by providing for equity-based compensation to vest over multi-year periods. We believe that our equity-based compensation is effective in attracting, retaining, and rewarding executives and key employees.

Equity-based compensation is awarded at the Board's discretion, taking into account the Compensation Committee's recommendations. We historically have awarded equity-based compensation on an annual basis as of the later of June 30 or the third trading day following our announcement of earnings for the most recently completed fiscal year. From time to time we award equity-based compensation as part of an employment offer or promotion or, in certain limited instances, as a special award. The amount of equity-based compensation awarded is based on the executive's level of responsibility, performance and long-term potential. The award amount is also guided by market data for positions of similar scope and responsibility.

Our NEOs receive equity-based compensation in the form of stock options, performance shares and restricted shares. Our NEOs received a mix of equity-based compensation consisting of (i) approximately 75% of value in stock options and 25% of value in performance shares in 2009 and (ii) approximately 80% of value in stock options and 20% of value in restricted stock in 2010. The Compensation Committee weighted the mix of these awards to be consistent with our objective of providing compensation that is appropriately balanced from an at-risk perspective. We weight the mix of equity-based compensation so that our NEOs receive a greater portion of long-term value in stock options to ensure that Company performance and shareholder value are directly aligned with any payouts from our equity programs.

The forms of equity-based compensation, which are awarded pursuant to our 2003 Long-Term Executive Compensation Plan, are as follows:

**Stock Options** We have historically granted stock options annually as of the later of June 30 or the third trading day following our announcement of earnings for the most recently completed fiscal year. In cases of grants for new hires, promotions and special awards, options are awarded as of the first trading day of the month following the month during which the hiring, promotion or special award occurred. Option exercise prices are set at the closing price of the stock on the date of grant and the options expire after ten years. We have not re-priced previously granted options.

**Performance Shares** Under our performance share program, a targeted number of performance shares have been historically awarded annually as of the later of June 30 or the third trading day following our announcement of earnings for the most recently completed fiscal year. A participating executive has the opportunity to receive between 0.5 times and 1.5 times the target number of performance shares based on performance against pre-established objectives. The 1.5 times maximum opportunity provides an incentive for driving significant shareholder value over the long-term. We limited the range of payout to 0.5 times to 1.5 times the target

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number of shares to recognize the complexities of setting and achieving performance objectives over the long term. In addition, the actual value of shares earned is affected directly by our share price at the end of the performance period.

Performance shares vest after three years (pursuant to performance against pre-established objectives) and are pro-rated for executives who terminate before the end of the three-year performance period. Performance shares are settled upon vesting using shares of our common stock and do not pay dividends during the vesting period. Instead, dividend equivalents are carried as fractional performance shares until vesting, at which time they are settled as additional shares of common stock. Unvested performance shares do not carry voting rights. Shares earned through achievement of performance objectives carry voting rights once the shares are paid out.

Performance shares granted in fiscal year 2009 for corporate-level executives and business unit-level executives in Tax Services will be earned based on our relative total shareholder return for the three-year period ending April 30, 2011. Relative total shareholder return will be measured against the S&P 500 at the following parameters:

- n The maximum number of shares (1.5 times the target award) for relative total shareholder return at or above the 70th percentile;
- n The target number of shares for relative total shareholder return at the 50th percentile; and
- n The minimum number of shares (0.5 times the target award) for relative total shareholder return at the 30th percentile or below.

Performance shares granted in fiscal year 2009 to Business Services executives will be earned based on the following cumulative earnings targets: (i) maximum shares earned (1.5 times target) for cumulative earnings from continuing operations before income taxes for fiscal years 2009 through 2011 of \$441.5 million, (ii) target shares earned (1.0 times target) for cumulative earnings from continuing operations before income taxes for fiscal years 2009 through 2011 of \$401.4 million, and (iii) minimum shares earned (0.5 times target) for cumulative earnings from continuing operations before income taxes for fiscal years 2009 through 2011 of up to \$361.3 million. We believe that using business unit performance objectives, rather than relative total shareholder return, is more appropriate for our smaller business units because senior executives in these business units have a greater impact upon their business unit results.

Awards will be linearly interpolated for performance between minimum and target or between target and maximum as defined above.

The Committee discontinued the practice of awarding performance shares to corporate-level executives in fiscal year 2010, and instead awarded restricted stock with restrictions that lapse after three years, as more fully described below.

**Restricted Stock** Restricted stock has historically been granted annually as of the later of June 30 or the third trading day following our announcement of earnings for the most recently completed fiscal year and, in certain cases, upon hiring or promotion or as a special award. Restrictions on restricted stock granted in fiscal year 2009 lapse over a three-year period in one-third annual increments beginning on the first anniversary of the date of issuance.

Prior to the lapse of restrictions, restricted stock may not be transferred and is in most cases forfeited upon cessation of employment. Restricted stock recipients receive cash dividends on unvested restricted stock on the same basis as if such stock were unrestricted. Restricted stock recipients may vote unvested restricted stock shares at shareholder meetings. In fiscal year 2009, none of our NEOs other than Mr. Gokey received restricted stock.

In July 2008, our NEOs were granted stock options and performance shares in the following amounts:

	Securities Underlying Options	Performance Shares
<b>Officers</b>		
Russell P. Smyth	n/a	n/a
Becky S. Shulman	96,401	5,463
Steven Tait	115,681	6,556
Timothy C. Gokey	173,522	9,834
Tammy S. Serati	57,841	3,278
<b>Former Officer</b>		
Alan M. Bennett	n/a	n/a

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The stock options are exercisable at a price of \$21.81 per share (the date-of-grant closing price on July 3, 2008) and vest in one-third annual increments beginning on the first anniversary date of grant. The performance shares for Ms. Shulman, Ms. Serati and Mr. Gokey vest after three years, with the actual number of performance shares to be received depending on our relative total shareholder return as compared to the S&P 500 as described above. The performance shares for Mr. Tait were forfeited pursuant to his separation of employment with RSM McGladrey Business Services, Inc.

In connection with his employment as our president and chief executive officer, Mr. Smyth was granted a stock option to purchase 900,000 shares of the Company's common stock at the following exercise prices:

- n An option for 500,000 shares exercisable at a price of \$24.75 per share (the date-of-grant closing price on August 6, 2008);
- n An option for 100,000 shares exercisable at \$27.75;
- n An option for 100,000 shares exercisable at \$30.75;
- n An option for 100,000 shares exercisable at \$33.75; and
- n An option for 100,000 shares exercisable at \$36.75.

The stock option was granted on August 6, 2008, and will expire on August 6, 2018. The option will vest and become exercisable over a three-year period in one-third annual increments beginning on the first anniversary date of grant. The Board granted this stock option as part of an overall compensation package intended to recruit and attract Mr. Smyth to serve as our president and chief executive officer. The amount and terms of the stock option grant took into account Mr. Smyth's level of responsibility and was designed to reward Mr. Smyth for generating specific increases in shareholder value.

In addition to the July 2008 awards of equity-based compensation described above, Mr. Gokey was awarded in fiscal year 2009 (i) 10,520 shares of restricted stock and (ii) a stock option to purchase 179,855 shares of common stock. The restricted stock restrictions lapse in two equal installments on October 1, 2010 and October 1, 2011 (the second and third anniversary of the date of grant). The stock option is exercisable at a price of \$23.76 (the date-of-grant closing price on October 1, 2008), vests in two equal installments on October 1, 2010 and October 1, 2011, and expires on October 1, 2018. These awards were made as part of a retention package designed to provide an incentive for Mr. Gokey to remain as President, U.S. Tax Operations of HRB Tax Group, Inc. following Mr. Smyth's appointment as President and Chief Executive Officer of the Company. Mr. Gokey also was awarded a Restricted Stock STI Payout in fiscal year 2009 of 290 shares of restricted stock as partial payment of his fiscal year 2008 STI compensation award.

In July 2009, our NEOs who are currently officers, except for Mr. Smyth (as discussed below), were granted stock options and restricted stock in the following amounts:

	Securities Underlying Options	Shares of Restricted Stock
<b>Officers</b>		
Russell P. Smyth	TBD	TBD

Becky S. Shulman	105,714	5,895
Steven Tait	n/a	n/a
Timothy C. Gokey	n/a	n/a
Tammy S. Serati	64,789	3,613

The Board expects to consider Mr. Smyth's fiscal year 2010 long-term equity compensation grant subsequent to the shareholder vote on the proposal to increase the amount of shares issuable under the Company's 2003 Long-Term Executive Compensation Plan (see Item 3 beginning on page 12 for a complete discussion of this proposal).

The stock options awarded above are exercisable at a price of \$16.89 per share (the date-of-grant closing price on July 2, 2009) and vest in one-third annual increments beginning on the first anniversary date of grant. The Committee discontinued the practice of awarding performance shares to corporate-level executives in fiscal year 2010 and instead awarded restricted stock with restrictions that lapse after three years. The Committee moved to restricted stock grants because of the difficulty of identifying performance measures that not only are appropriately linked with shareholder value but also provide strong motivational incentives. The increase in the number of options and equity shares awarded to our NEOs in fiscal year 2010 is due to our methodology of determining individual equity-based compensation awards and the decrease in our stock price during the past

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