

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK

----- X
THE PEOPLE OF THE STATE OF NEW YORK, :
by ELIOT SPITZER, Attorney General of the State
of New York,

Plaintiff,

FIRST AMENDED COMPLAINT

-against-

Index No. 06/401110

H&R BLOCK, INC., and H&R BLOCK
FINANCIAL ADVISORS, INC.,

Defendants.

EXHIBITS TO FIRST AMENDED COMPLAINT

ELIOT SPITZER
Attorney General of the
State of New York
Attorney for Plaintiff
120 Broadway — 23^d Floor
New York, New York 10271
(212) 416-8198

Express IRA Cheat Sheet																							
Fees and Charges	<table> <tr> <td>Account Opening Fee</td> <td>\$15 (per account, this is a tax office fee, not an HRBFA fee)</td> </tr> <tr> <td>Contribution to an existing Express IRA</td> <td>\$15 (per contribution, if done at the Tax office)</td> </tr> <tr> <td>Annual IRA Custodial Fee</td> <td>\$10 the following April (HRBFA fee)</td> </tr> <tr> <td>ACH Transfer (in or out)</td> <td>Free</td> </tr> <tr> <td>Returned Check/ACH</td> <td>\$20</td> </tr> <tr> <td>Duplicate Statement</td> <td>2 free per 12 mo. Period (Statements issued quarterly)</td> </tr> <tr> <td>Additional copies of Statement</td> <td>\$3.00 (includes tax statements)</td> </tr> <tr> <td>Overnight Mail</td> <td>\$15 (must be at least \$500))</td> </tr> <tr> <td>Termination Fee</td> <td>\$25 (to close account)</td> </tr> <tr> <td>Wire transfer</td> <td>\$15 (must be at least \$1000)</td> </tr> <tr> <td>ACAT Transfer</td> <td>\$75 (transfer to another firm)</td> </tr> </table>	Account Opening Fee	\$15 (per account, this is a tax office fee, not an HRBFA fee)	Contribution to an existing Express IRA	\$15 (per contribution, if done at the Tax office)	Annual IRA Custodial Fee	\$10 the following April (HRBFA fee)	ACH Transfer (in or out)	Free	Returned Check/ACH	\$20	Duplicate Statement	2 free per 12 mo. Period (Statements issued quarterly)	Additional copies of Statement	\$3.00 (includes tax statements)	Overnight Mail	\$15 (must be at least \$500))	Termination Fee	\$25 (to close account)	Wire transfer	\$15 (must be at least \$1000)	ACAT Transfer	\$75 (transfer to another firm)
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Product Overview	<ul style="list-style-type: none"> ■ Investment in an FDIC-insured money fund. ■ IRA product – Traditional or Roth. ■ \$300 initial contribution minimum. Minimum waived with \$25 per month systematic investment. Systematic investing is for current year contributions only. ■ Systematic investing of any amount of \$25 or more can be set up at the tax desk. ■ No minimum for subsequent deposits. ■ \$15 set-up fee will be charged. This is also known as the account opening fee. ■ \$15 contribution/re-contribution fee is assessed at the tax office. (in addition to the opening fee) <p>The contribution and setup fee's are waived if:</p> <ul style="list-style-type: none"> • The customer does a RAL. • The customer's account has a minimum of \$2000. • The customer has systematic investing of at least \$150 per month. <ul style="list-style-type: none"> ■ \$10 annual custodial fee charged the following April after the account is opened. This fee can be waived if the client sets up systematic investing of at least \$25 per month (or the account balance is \$1,000). 																						
Express IRA Benefits	<ul style="list-style-type: none"> ■ Supports our mission of being our clients' tax and financial partner. ■ It is an efficient way to help clients achieve their financial goals. ■ High expectation of increased client retention. ■ Can be set up quickly at time of tax preparation. ■ Can be funded using refund, personal check, or debit from client's bank account. ■ Client can choose to receive any excess refund money via RAL or RAC. ■ Pays money market rate of interest and is a safe investment with FDIC insurance up to \$100,000. ■ Easy transfer to other investment products (HRBFA) with different risk and rate of return. 																						
Interest Rate	Money market rate of interest may fluctuate daily depending on market conditions. The rate will be approximately the Federal Fund Rate - .25%. Clients should be told that the rate may fluctuate daily over the life of the investment.																						
Sweep	Daily at HRBFA. Deposits will begin earning interest as soon as they are converted to Federal funds, usually one to two business days after deposit at HRBFA.																						
Offer Period	Contributions can be made through the dates below for the following options: <ul style="list-style-type: none"> ■ April 4 for prior year contributions, if the client funds with their refund. ■ April 15 for prior year contributions, if the client funds via ACH debit. ■ April 15 for prior year contributions, if client funds with a check. ■ August 15 for current year initially if the client funds via refund, systematic investing and ACH debit. 																						
Rescission Period	10 business days from the day of funding. We must have the rescission form in our office by the 10 th day.																						
Funding Time Frames	<ul style="list-style-type: none"> ■ Funding should hit the account within 14 days from the setup date. ■ A personalized welcome kit will be sent when the account is funded. ■ If the account is not funded within 28 days from the date of setup, an Operations Specialist will investigate this issue. 																						



H&R BLOCK
financial advisors



Express IRA Application

New Account Existing Account

For Internal Use Only

Account # _____

Legal Name		Occupation	Mother's Maiden Name	
Marital Status	Tax Bracket	Annual Income	Number of Dependents	
Email Address		Employer	Year's Employed	
Home Address <small>Check here to change address on account</small>		Business Address		
City	State	Zip	City	State Zip
Social Security Number	Date of Birth	Citizenship	Home Phone	Business Phone
Account Type <input type="checkbox"/> traditional <input type="checkbox"/> Roth		Contribution for Tax Year 2004 \$ 2005 \$		
Initial Transaction and Deposit				
Remember: One time and systematic monthly ACH must attach a voided check or letter on bank stationary to this application.				
Electronic Refund		<input type="checkbox"/> Check (Checks made payable to H&R Block Financial Advisors, Inc.)		
One Time ACH <small>Previous year, one time ACH must be completed by April 5</small>		Monthly Systematic ACH (minimum \$25)		
\$ _____		\$ _____ per month		
Routing Transit Number _____		Month _____ Day _____ 1 st , 15 th , 25 th		
Bank Account Number _____		Routing Transit Number _____		
Bank Account Number _____		Bank Account Number _____		
Primary Beneficiary in the event of my death, the proceeds will be distributed 100% to the beneficiary listed below.				
Name		Social Security Number	Date of Birth	
Address		Relationship		
Contingent Beneficiary in the event of my death, and the death of my primary beneficiary, the proceeds will be distributed 100% to the beneficiary listed below.				
Name		Social Security Number	Date of Birth	
Address		Relationship		
To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account. What this means for you: When you open an Express IRA, we will ask you for your name, address, date of birth and other information that will allow us to identify you. We may also ask to see your driver's license or other identifying documents.				
Government Issued ID a) <input type="checkbox"/> Driver's License/State ID b) <input type="checkbox"/> Passport c) <input type="checkbox"/> Alien Registration d) <input type="checkbox"/> Corporate/Partnership Resolution e) <input type="checkbox"/> Other				
f) ID number _____ g) Issuing State or Country _____ h) expiration date (if applicable) _____				

I hereby certify that I have inspected the information above. Tax Professional Signature

X

FDIC - Insured Money Market Account Agreement: When you open an H&R Block Express IRA account with H&R Block Financial Advisors, your money will be automatically invested into an interest-bearing FDIC-insured money market account, with up to \$100,000 of FDIC insurance, through Reserve Management Corporation ("Reserve"), at an insured - depository institution ("Bank"). The insurance on your account will be limited to a combined total of \$100,000 for all deposits held in the same legal ownership category per Bank, which includes this account and any other balances you have, directly or through other intermediaries. By opening an H&R Block Express IRA account, you agree to appoint Reserve as your authorized agent. If you have questions about FDIC coverage, you may call FDIC Consumer Affairs at 800-934-3342. Interest Rate: Each account will be paid a rate of interest, which may fluctuate daily depending on market conditions. Call 1-800-HRBLOCK for the current prevailing rate. Interest accrues from date of deposit to the last full day before withdrawal and is compounded daily and credited monthly. Deposits: The minimum initial IRA deposit is \$300 with no minimum for subsequent deposits. If you start with a systematic monthly investment of \$25 or more, you do not have to meet the \$300 initial investment amount first. Withdrawals: You may make withdrawals at any time, in any amount. Withdrawals may be subject to tax and/or a 10% penalty tax for early withdrawal. Statements: Statements will be mailed quarterly. Other terms: Each deposit is solely the obligation of the depositor's Bank. H&R Block Financial Advisors and Reserve act only as agents for you, the depositor. In the event Banks participating in the H&R Block Express IRA reject additional deposits or withdraw entirely or are terminated, then your agent is authorized by you to move your deposit to another FDIC-insured bank. H&R Block Financial Advisors may, without notice, refuse any deposit or close any account if an account owner's actions become burdensome. Reserve is paid a comprehensive fee, not to exceed 1.10% per annum, of the average daily net assets of the account. H&R Block Financial Advisors may receive compensation from Reserve for providing administrative, clerical, record keeping, bookkeeping and shareholder accounting services. This amount is deducted daily prior to posting of interest to your H&R Block Financial Advisors account. In addition, your account will be charged an annual custodial fee of \$10 unless a minimum \$1,000 balance is met or account is enrolled in systematic investing. A one-time, small deposit may cause your principal to be reduced due to this custodial fee. Your deposit will be in book entry format, therefore, you will not receive a passbook or a certificate.

For Internal Use Only

Principal Approval			BOM/RRIC Approval		Date
Tax Office City	State	Zip	Tax Office ID	Tax Office Phone Number	

Retirement Account Terms and Conditions

By opening this account, you agree to appoint H&R Block Financial Advisors ("H&R Block") and Reserve Management Corporation as your authorized agents, pursuant to the terms and conditions as stated on this application. Whenever any statute, rule or regulation shall be enacted, which would affect or be inconsistent with this agreement, this agreement will be modified or superseded as appropriate by the change, and all other provisions shall continue in full force and effect.

Except as specifically provided herein, no provision of this agreement shall be waived, modified or amended unless the changes are committed to writing.

You shall at all times be liable for and make payment of any indebtedness or obligations of any kind or nature owing to H&R Block in any of your accounts at any time upon demand, subject to all applicable constitutions, statutes, rules and regulations.

Any and all communications may be sent to you at the address now or hereafter provided in writing to H&R Block Financial Advisors, Inc. ("H&R Block") and all communications so sent, whether by mail, telegraph, messenger or otherwise, shall be deemed to be given to you personally whether actually received or not. Reports of execution of orders and statements of your accounts shall be conclusive if not objected to, in writing, within ten (10) days.

H&R Block shall not be liable for any loss caused directly or indirectly by any act or event beyond the control of H&R Block, including war, government restrictions, exchange or market rulings, activity or suspensions of trading and such other acts customarily considered "Acts of God."

You agree to pay the reasonable costs and expenses of collection, including attorney's fees, of any indebtedness or other obligation of any kind or nature that you owe H&R Block and which you fail to pay on demand.

This agreement shall be governed by, and interpreted and determined in accordance with, the laws of the State of Michigan and shall inure to the benefit of H&R Block, its affiliates, any successors and assigns by merger, consolidation or otherwise, and shall be binding upon you and your heirs, executors, successors and assigns. If any clause is held to be unenforceable for any reason, it shall be severed and shall not affect the validity or enforceability of any other provisions of this agreement which shall remain in effect.

Predispute Arbitration Clause

Pursuant to applicable federal rules and regulations, the following disclosures are hereby made with respect to the Predispute Arbitration Clause found below:

- i. Arbitration is final and binding on the parties.
- ii. The parties are waiving their right to seek remedies in court, including the right to jury by trial.
- iii. Pre-arbitration discovery is generally more limited than, and different from, court proceedings.
- iv. The arbitrator's award is not required to include factual findings or legal reasoning and any party's right to appeal or to seek modification of rulings by the arbitrators is strictly limited.
- v. The panel of arbitrators will typically include a minority of arbitrators who were or are affiliated with the securities industry.

You agree to submit any and all controversies or claims arising out of the relationship established by this agreement or any corresponding agreement to arbitration to be conducted according to the rules and procedures of the New York Stock Exchange, Inc. (NYSE) or the National Association of Securities Dealers, Inc. (NASD), as you may elect, unless the claim or controversy is otherwise found not to be arbitrable. No person shall bring a putative or certified class action to arbitration, nor seek to enforce any predispute arbitration agreement against any person who has initiated in court a putative class action, who is a member of a putative class and who has not opted out of the class with respect to any claims encompassed by the putative class action until:

- i. The class certification is denied;
- ii. The class is decertified; or
- iii. The customer is excluded from the class by the court.

Such forbearance to enforce an agreement to arbitrate shall not constitute a waiver of any rights under this agreement except to the extent stated herein.

Arbitration must be commenced by service of a written demand for arbitration and should indicate the election of NYSE or NASD arbitration proceedings. If you do not make an election within five (5) days of written demand for such election, then H&R Block Financial Advisors may make such an election on your behalf. The foregoing shall not limit H&R Block Financial Advisors from seeking injunctive and equitable relief in a court of competent jurisdiction.

I have read, agree and am bound by the provisions of the Retirement Account Terms and Conditions including the FDIC-Insured Money Market Account Agreement on page one of this application. I am aware that this individual retirement account will be assessed a \$25 fee upon the closing of the account. I will read, agree and be bound by the Disclosure Statement and the H&R Block Financial Advisors Individual Retirement Custodial Account Agreement ("Agreement") under which my Individual Retirement Account ("Account") is established. I certify the accuracy of the above information and appoint H&R Block Financial

Investment services and securities products offered through H&R Block Financial Advisors, Inc.
Member NYSE/SIPC, a subsidiary of H&R Block Inc. H&R Block Inc. is not a registered broker-dealer.

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Advisors, Inc. as my agent to execute my directions, as Broker, under the agreement establishing my Account. I represent I am of legal age and I certify, under penalty of perjury, that (1) the taxpayer ID number or Social Security number on the document is correct; (2) I am not subject to backup withholding because (A) I have not been notified that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (B) the Internal Revenue Service has notified me that I am no longer subject to backup withholding; OR, if I am subject to backup withholding, I have crossed out the text in section (2) in this paragraph. Furthermore, I certify that the above account information was completed by the undersigned, is true and accurate and hereby request that you accept my Account. This agreement contains a predispute arbitration clause as disclosed above. I acknowledge receipt of a copy of this agreement. My signature below also authorized H&R Block Financial Advisors to take the initial transaction and deposit amount from the account described.

X

Account Owner Signature

Date

Consent to Use Tax Return Information: With your signed consent below, H&R Block Tax Services, Inc. and its subsidiaries (collectively, "Tax Services"), your tax return preparer, will use certain information from your tax return prepared by us this year for the purpose of completing portions of this IRA application and will disclose such information to H&R Block to enable it to process this application. Tax Services will not use your tax return information for other purposes, except to provide you with additional tax-related information and services or as otherwise permitted by law. You also acknowledge and agree that Tax Services and/or your individual tax preparer may be compensated as the result of your opening an Express IRA account.

X

Account Owner Signature

Date

Staple Voided Check Here for ACH contributions

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Express IRA

EXPRESS IRA

An *Express IRA* is an IRA administered by H&R Block that may be set up during the tax preparation process. Clients may choose between Roth or traditional. Clients may fund conveniently, with a tax refund, by check, direct deposit from a bank account, or by systematic contributions from a bank account. The \$10 annual maintenance fee is waived for clients who have systematic contributions and for clients with a balance greater than \$1000. Investments are FDIC-insured for up to \$100,000 per depositor.

Express IRA is particularly well suited for clients who are just getting started with saving. There are some tax clients who may have better suited savings opportunities e.g. matching 401(k) or 403(b) plans. However, when you consider the low minimum balances, the minimal fees, and the unmatched convenience of opening and funding through the tax office, an Express IRA is hard to beat.

What are the benefits of investing in an Express IRA?

- Convenient:** Clients can fund in the tax office with a tax refund.
- Tax Smart:** Clients can potentially lower taxable income with traditional IRA. Eligible clients can potentially qualify for the Saver's Credit and reduce tax liability.
- Competitive:** Low initial investment of \$25 per month, or \$300 per year.
- Secure:** FDIC-insured up to \$100,000 per depositor.

EXPRESS IRA FEE SCHEDULE

*Account opening/pre-contribution fee:	\$15
**Annual maintenance fee:	\$10
Account termination:	\$25
Returned check/ACH:	\$20
Duplicate Statement:	\$3
Wire transfers from XIRA:	\$25
Withdrawal by mail:	Free
Transfer to other financial institution:	\$75

*Only applies to tax office transactions, no fee for mail in contributions.

**The annual maintenance fee is waived for accounts with a balance over \$1000, or accounts with systematic monthly contributions of \$25 or more.

FOR MORE INFORMATION

Clients:

1-800-HRBLOCK and select financial services option
www.hrblock.com/expressira

Tax Pros:

1-800-HRBLOCK and select financial services option
expressprograins@hrblock.com

TOP Reference

90505 - Express IRA

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Express IRA

INDIVIDUAL RETIREMENT ACCOUNT

Overview

An IRA is a tax advantaged savings plan that has been created by the U.S. government to encourage long term savings.

ROTH IRA VS. TRADITIONAL IRA

Advantages	Roth IRA	Traditional IRA
Savings	<p>Assets grow tax free</p> <p>Can contribute up to \$3000* (annually)</p> <p>May continue to contribute after age 70 1/2</p>	<p>Contributions may be tax-deductible</p> <p>Tax-deferred growth</p> <p>Can contribute up to \$3000* (annually)</p>
Distribution	<p>Qualified withdrawals are tax free</p> <p>May withdraw original contribution at any time without penalty</p> <p>Assets may be withdrawn penalty free for purchase of a first home and education</p> <p>Other penalty-free exceptions</p>	<p>Early withdrawals-before the age of 59 1/2 may be penalized 10%</p> <p>Withdrawals other than nondeductible contributions are taxable</p> <p>Must begin taking distributions at age 70 1/2</p>
Considerations	<p>Not available if AGI exceeds \$110,000 (S) or \$160,000 (MFJ)</p> <p>Assets must be held at least 5 years from the date the Roth IRA is opened before earnings can be withdrawn tax free and penalty free</p> <p>Early withdrawals before the age of 59 1/2 may be penalized</p> <p>Contributions are not tax deductible</p>	<p>Early withdrawals-before the age of 59 1/2 may be penalized 10%</p> <p>Withdrawals other than nondeductible contributions are taxable</p> <p>Must begin taking distributions at age 70 1/2</p>

*\$3500 if age 50 or older

THE SAVER'S CREDIT

The Saver's Credit (Retirement Savings Contribution Credit, IRS Form 8880) is a non-refundable tax credit created for tax payers who choose to fund a qualified savings plan. The credit is between 10%-50% of an individual's qualified contribution (depending on their AGI). Contributions to an Express IRA are a great way to take advantage of the Saver's Credit. The credit may be claimed on the first \$2,000 of retirement contributions made to a qualified retirement plan such as an Express IRA.

Modified Adjusted Gross Income Ranges			
Married Filing Joint	Head of Household	All other	Credit Rate
\$0-\$30,000	\$0-\$22,500	\$0-\$15,000	50% of Contribution
\$30,001-\$32,500	\$22,501-\$24,375	\$15,001-\$16,250	20% of Contribution
\$32,501-\$50,000	\$24,376-\$37,500	\$16,251-\$25,000	10% of Contribution
Over \$50,000	Over \$37,500	Over \$25,000	Not available

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Policies and procedures – seven steps!

1. At an appropriate time in the interview, engage in the dialogue to determine a) if they are a good candidate for Express IRA, b) which option would be best for them, and c) which options may apply (saver's credit, EITC, other) and offer the Express IRA if appropriate.
2. Provide the client with Disclosure and Custodial Agreement and gain acceptance.
3. Process through TPS, including determining the funding options. Remember that clients also electing a RAL will have their Express IRA funds deposited directly into their account from the IRS. Any loan proceeds will be the net refund, excluding Express IRA deposits (IRAs can't be funded by loans).
4. Ensure the client signs the Express IRA application and the "usage and disclosure of tax return information" form. If not funding by refund, collect voided check, or ACH information.
5. Place the TPS Acknowledgement letter and any other pertinent paperwork inside the pocket of the Express IRA Disclosure and Custodial booklet. Including a business card and the Express IRA brochure is a good idea.
6. Place the signed application and the "usage and disclosure of tax return information" form in the designated office area.
7. Inform clients of the information they will receive in the mail:
 - New clients will receive a personalized welcome kit with their funding confirmation letter within two weeks.
 - Existing clients will receive a funding confirmation letter within two weeks.
 - All clients will receive personalized account statements on a quarterly basis (every three months).

Express IRA funding methods and cut off dates in TPS		
	Prior Year	Current Year
Refund	April 5, 2005	October 1, 2005
ACH Debit	April 15, 2005	October 1, 2005
Check	April 15, 2005	October 1, 2005

Express IRA Rescind Process-Field

Overview

- A completed and signed Express IRA Rescission Form must be RECEIVED by H&R Block Financial Advisors prior to the close of business on the tenth business day after the account is funded.
 - Funding is defined as the actual deposit of money (check, client account debit, refund, or first systematic withdrawal).
- It can be faxed to the Investor Center (IC) (816) 504-1172 to meet the time deadline.
- The envelope **MUST** be postmarked within 10 days of your account being funded.
- If the request is received during the allowable time frame, neither the contribution nor the rescission will be reported to the Internal Revenue Service (IRS).
 - **There is no fee associated with rescinds when received by the close of business on the tenth business day after the account is funded.**
 - *The \$15 Setup fee is not refundable.*
- If the request is received after the allowable time period, it will be handled as a contribution and distribution, which are both reportable events to the IRS.
 - **After the close of business on the tenth business day after the account is funded there is a \$25 fee to the client for closing the account.**

Tax Office Process

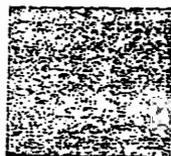
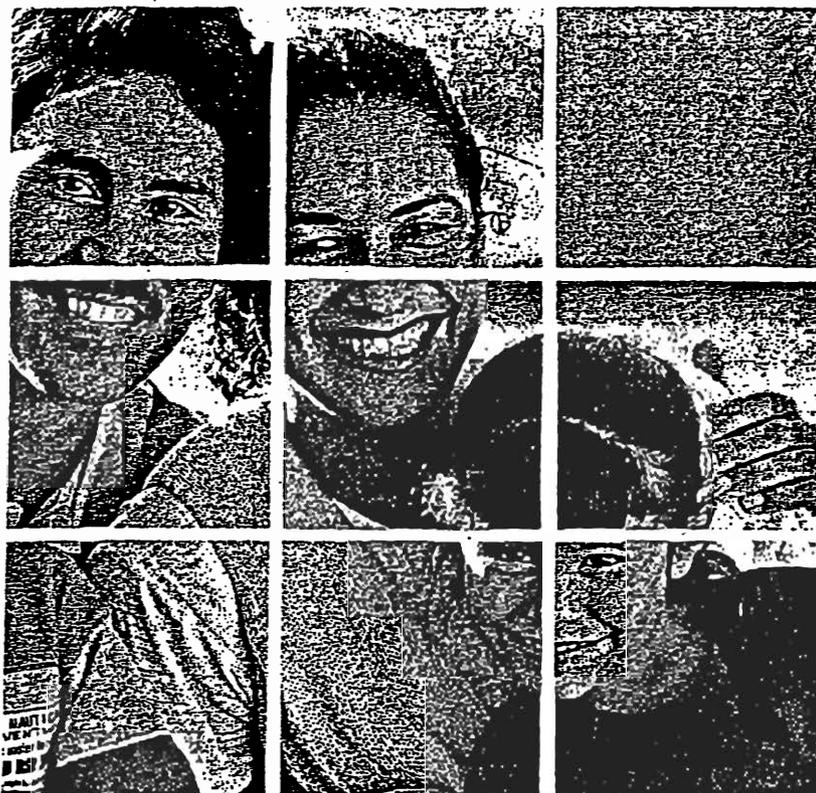
- Confirm rescission request.
- Ensure that the client understands the requirement to amend the return if a contribution to a prior year traditional IRA is rescinded. Explain any tax consequences.
- Direct the client to call the Investor Center at (800) HRBLOCK.
 - Select **Financial Services Option**.
- Or help the client in the tax office.
 - The tax professional prints the rescission form from WinForms.
 - The client completes and signs the form.
 - The tax professional faxes the form to the Investor Center for the client.

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Express IRA



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2004 Express IRA Disclosure Statement and Agreement for Individual Retirement Accounts

Article I. In General Disclosure Statement Introduction

This Disclosure Statement ("Statement") is provided by H&R Block Financial Advisors, Inc. ("Custodian") in accordance with Treasury regulations and the Internal Revenue Code ("Code"). The Statement discusses many of the features of an individual retirement account ("IRA"). (Where the requirements for a traditional IRA and a Roth IRA are the same, this Statement refers to both types of accounts as an "IRA.") Remember, though, that this Statement is a general discussion; the terms of your IRA are governed by the H&R Block Financial Advisors, Inc. Prototype Individual Retirement Custodial Account Agreement ("Agreement") for a traditional IRA or the Roth Individual Retirement Custodial Agreement ("Roth Agreement") for a Roth IRA.

An IRA is a retirement plan that you establish for yourself. Some or all of your yearly contributions to your traditional IRA may be deductible from gross income on your federal income tax return. Contributions to a Roth IRA are not deductible. Regardless of whether your contributions are deductible, any earnings (e.g., interest, dividends, capital gains, etc.) on your IRA are not subject to federal income tax until you receive distributions from your IRA. Distributions of earnings on your Roth IRA may not be subject to federal income tax if the distribution qualifies as a tax-free withdrawal. State and local income tax treatment of your IRA may differ from federal law; for details, you should consult your state and local taxing authority or your personal tax advisor.

Article II. Right to Revoke

You establish your IRA by signing the Adoption Agreement and making a contribution. You have the right to revoke the Adoption Agreement within seven (7) days from the date you sign it. To revoke the Adoption Agreement, you must, within the seven (7) day period, give written notice of revocation to the H&R Block Financial Advisors Retirement Services Division, 719 Griswold, suite 1700, Detroit, Michigan 48226. If mailed, your notice will be deemed mailed on the date it is post marked (or, if sent by registered or certified mail, on the date of registration or certification), provided it is deposited in the mail in the United States in an envelope or other appropriate wrapper, properly addressed, first class, postage prepaid. If your notice is mailed in this manner, the H&R Block Financial Advisors Retirement Services Division will be deemed to have received your notice seven (7) days after the date of mailing. If you timely revoke your Adoption Agreement, the Custodian will return to you, without adjustment for market fluctuation, your original contribution, sales commission and administrative expenses associated with the IRA created by your Adoption Agreement. If your notice of revocation is not timely made, it will be void. In such case, you can cancel your IRA, but adjustments to your contribution for sales commissions, market fluctuation, and administrative fees and expenses will be made before return of any funds to you.

Internal Revenue Code Requirements

As is often the case when favorable tax treatment is given, the Code imposes certain requirements on establishing and maintaining an IRA. The Code requires an IRA to be a trust or custodial account created by a written instrument (like the Agreement or the Roth Agreement, and Adoption Agreement) that contains the following provisions:

- 1) Except for Rollover Contributions, a recharacterized

contribution described in Code Section 408A (d)(6), or a conversion contribution, which are described later, contributions to an IRA must be made in cash. Annual contributions for any taxable year to your traditional IRA and Roth IRA cannot exceed the lesser of 100% of your compensation or the IRA Contribution Limit (defined below).

- 2) The trustee or custodian of the IRA must be a bank, or an organization, such as the Custodian, who demonstrates to the Internal Revenue Service that the organization can properly manage the IRA;
- 3) The funds in the IRA cannot be invested in life insurance contracts, or commingled with other property in other than a common trust fund or common investment fund;
- 4) Your interest in your IRA is fully vested at all times, and non-forfeitable;
- 5) Notwithstanding any provision of this agreement to the contrary, the distribution of your entire traditional IRA interest must be made in accordance with the minimum distribution requirements of Section 408(a)(6) of the Internal Revenue Code and the regulations there under, which are incorporated herein by reference.
- 6) Your entire traditional IRA must be distributed, or distribution must begin, by April 1 following the calendar year in which you become 70½. For each succeeding year, a distribution must be made to you on or before December 31. On or prior to April 1 of the calendar year in which you become 70½, you may elect, in a manner acceptable to H&R Block Financial Advisors, to have the balance in your account distributed in one of the following forms:
 - (a) A single sum payment;
 - (b) Equal or substantially equal payments over your life;
 - (c) Equal or substantially equal payments over your life and your designated beneficiary's life;
 - (d) Equal or substantially equal payments over a specified period that may not be longer than your life expectancy; or
 - (e) Equal or substantially equal payments over a specified period that may not be longer than the joint life and last survivor expectancy of you and your designated beneficiary.
- 7) If you die before your entire traditional IRA is distributed, your entire traditional IRA will be distributed as follows:
 - (a) If you die on or after the required beginning date and
 - (i) The designated beneficiary is your surviving spouse, the remaining interest will be distributed over the surviving spouse's life expectancy as determined each year until such spouse's death, or over the period in paragraph (a)(iii) below if longer. Any interest remaining after the spouse's death will be distributed over such spouse's remaining life expectancy as determined in the year of the spouse's death and reduced by one for each subsequent year, or, if distributions are being made over the period in paragraph (a)(iii) below, over such period.
 - (ii) The designated beneficiary is not your surviving spouse, the remaining interest will be distributed over the beneficiary's remaining life expectancy as determined in the year following your death and reduced by one for each subsequent year, or over the period in paragraph (a)(iii) below if longer. (iii) there is no designated beneficiary, the remaining interest will be distributed over your remaining life expectancy as determined in the year of your death and reduced by one for each subsequent year.

(b) If you die before the required beginning date, the remaining interest will be distributed in accordance with (i) below or, if elected or there is no designated beneficiary, in accordance with (ii) below.

(i) The remaining interest will be distributed in accordance with paragraphs (a)(i) and (a)(ii) above (but not over the period in paragraph (a)(iii), even if longer), starting by the end of the calendar year following the year of your death. If, however, the designated beneficiary is your surviving spouse, then this distribution is not required to begin before the end of the calendar year in which you would have reached age 70½. But, in such case, if your surviving spouse dies before distributions are required to begin, then the remaining interest will be distributed in accordance with (a)(ii) above (but not over the period in paragraph (a)(iii), even if longer), over such spouse's designated beneficiary's life expectancy, or in accordance with (ii) below if there is no such designated beneficiary.

(ii) Distributed by the end of the calendar year containing the fifth anniversary of your death.

8) If you die before your entire interest in your Roth IRA is distributed to you and your surviving spouse is not the designated beneficiary, the remaining interest will be distributed in accordance with (a) below or, if elected or there is no designated beneficiary, in accordance with (b) below. If your surviving spouse is the designated beneficiary, such spouse will then be treated as the Participant.

(a) The remaining interest will be distributed, starting by the end of the calendar year following the year of your death, over the designated beneficiary's remaining life expectancy as determined in the year following your death.

(b) The remaining interest will be distributed by the end of the calendar year containing the fifth anniversary of your death.

9) If you own more than one traditional IRA, you may satisfy the minimum distribution requirements described above by receiving a distribution from one traditional IRA that is equal to the amount required to satisfy the minimum distribution requirements for two or more traditional IRAs in accordance with the regulations under Code Section 408(a)(6).

Who Can Establish an IRA?

You are eligible to establish an IRA for any taxable year during which you receive compensation (e.g., wages, salaries, professional fees, or other amounts derived from or received for personal services actually rendered, or earned income if self-employed). If your spouse receives compensation, your spouse can establish his or her own IRA. If your spouse does not receive any compensation, or elects to be treated as not having received any compensation (for IRA purposes), you can establish a separate IRA for you and your spouse ("Spousal IRA Arrangement"). Even if you do not receive compensation, you may be eligible to establish a Rollover IRA by making a rollover contribution of certain types of distributions you receive from a qualified pension or profit sharing plan, a tax-sheltered annuity or a Code Section 457(b) governmental deferred compensation plan. You may not contribute to a traditional IRA if you have attained age 70½. You may contribute to a Roth IRA even if you have attained age 70½.

You can also establish an IRA in connection with your employer's simplified employee pension plan. A simplified employee pension (SEP) is an individual retirement account or annuity that permits your employer to contribute each year to your IRA up to 25% of your compensation or \$40,000, whichever is less.

In order to participate in a SEP with your employer, SEP-IRAs must be set up by or on behalf of all eligible employees. Your employer

and all eligible employees can then enter into a SEP agreement that meets the requirements of the Internal Revenue Code.

Your employer contributes directly to your SEP-IRA.

Compensation

For purposes of the 25% limit, compensation does not include your employer's contribution to your SEP-IRA.

Example:

Barry's employer has a SEP for its employees. Barry's compensation for 2002 was \$20,000. Barry's employer can contribute up to \$5,000 (25% x \$20,000) to Barry's SEP-IRA.

Employer's contribution excludable rather than deductible

Your employer's contributions to your SEP-IRA should not be included in your Form W-2, Wage and Tax Statement. Do not include these contributions in your income and do not deduct them.

If you make contributions to the IRA or annuity used to fund your SEP, however, you can deduct them the same way as contributions to a traditional IRA, up to the amount of your IRA Contribution Limit or 100% of your taxable compensation for the year, whichever is less.

How Is My Express IRA Invested?

Your IRA will be invested into an interest-bearing FDIC-insured money market account through Reserve Management Corporation at an insured depository institution.

Amount and Deductibility of Contributions

A. Traditional IRA

Each tax year, you can make annual contributions to your traditional IRA up to the lesser of 100% of your compensation for that year, or the IRA Contribution Limit. In addition, you may make a contribution to a Spousal IRA Arrangement, up to the IRA Contribution Limit. In the case of a Spousal IRA Arrangement, you may choose how to allocate your contribution between the two accounts, but no more than the IRA Contribution Limit can be contributed to each account. For example, if you contribute \$5,000 in 2002 to your IRA and a Spousal IRA Arrangement, the contribution can be allocated in any manner such that neither IRA receives a contribution greater than \$3,000. Contributions for a year can be made as late as the due date (without regard to extensions) of the federal income tax return for that year.

The "IRA Contribution Limit" is \$3,000 for 2002, and will increase as follows:

IRA Contribution Limit

Year	Limit
2002-2004	\$3000
2005-2007	\$4000
2008	\$5000
2009 +	\$5000 increased by cost of living adjustments in \$500 increments.

In addition, if you are age 50 or over by the end of any year, you may make a special, "catch-up" contribution to an IRA for that year. The catch-up contribution is \$500 for 2002 through 2005 and will increase to \$1,000 in 2006 and thereafter. If you are age 50 by the end of a year, your catch-up limit is added to your normal IRA Contribution Limit for that year. For example, if you are age 50 or older in 2002, your maximum IRA contribution is \$3,500 (\$3,000 under the normal IRA Contribution Limit plus \$500 under the special "catch-up" contribution limit.)

Your contribution can be fully deductible on your federal income tax return if you are not an active participant in a retirement plan maintained by your employer (or, if you and your spouse file a joint

tax return, neither you nor your spouse are active participants in retirement plans maintained by your employers). If you are an active participant, your traditional IRA contribution will be fully deductible, partly deductible or not deductible, depending on your adjusted gross income and your tax filing status.

The amount of adjusted gross income which will affect the deductible contribution that you can make to a traditional IRA is shown in the following tables. If you (or your spouse, if you are married and file a joint tax return) are an active participant in a retirement plan maintained by your employer and your adjusted gross income is less than the first amount shown in the table for the applicable taxable year, your contribution can be fully deductible on your federal income tax return. If you (or your spouse, if you are married and file a joint tax return) are an active participant in a retirement plan maintained by your employer and your adjusted gross income is greater than the second amount shown in the table for the applicable taxable year, no part of your contribution is deductible.

Joint Returns

Taxable Year	Adjusted Gross Income Amounts
2001	\$53,000-\$63,000
2002	\$54,000-\$64,000
2003	\$60,000-\$70,000
2004	\$65,000-\$75,000
2005	\$70,000-\$80,000
2006	\$75,000-\$85,000
2007 +	\$80,000-\$100,000

Single Taxpayers

Taxable Year	Adjusted Gross Income Amounts
2001	\$33,000-\$43,000
2002	\$34,000-\$44,000
2003	\$40,000-\$50,000
2004	\$45,000-\$55,000
2005 +	\$50,000-\$60,000

Married Filing Separate Returns

Taxable Year	Adjusted Gross Income Amounts
2001 +	\$0 - \$10,000

If you (or your spouse, if you are married and file a joint tax return) are an active participant in a retirement plan maintained by your employer and your adjusted gross income is greater than the first amount but less than the second amount, some portion of your contribution can be deductible and the remainder will be nondeductible.

In general, the percentage of your contribution that will not be deductible is the percentage obtained when dividing the amount by which your adjusted gross income exceeds the foregoing amount by \$10,000. For example, if you are not married and your adjusted gross income is \$35,000 in 2002, the percentage of your contribution that is not deductible is 10% ($\$35,000 - \$34,000 = \$1,000$ divided by $\$10,000 = 10\%$). The same percentage would be obtained if you are married and file a joint tax return, and the adjusted gross income of you and your spouse is \$55,000 in 2002 ($\$55,000 - \$44,000 = \$11,000$ divided by $\$10,000 = 11\%$.) In either case, 90% of your contribution can be deductible. So, if you contributed \$3,000 to your IRA (\$6,000 to IRAs for you and your spouse), \$2,700 of your contribution (\$5,400 if you and your spouse each contributed \$3,000) is deductible. Remember that all earnings on your contributions accumulate tax free until you receive distributions from your IRA, regardless of whether your contributions are tax deductible in whole or in part.

For taxable years beginning after December 31, 2006, the denominator in the fraction for married taxpayers filing a joint return will be \$20,000. For example, if the combined adjusted gross

income of you and your spouse for the year 2007 is \$85,000, the percentage of your contribution that is not deductible is 25% ($\$85,000 - \$80,000 = \$5,000$ divided by $\$20,000 = 25\%$). In this case, 75% of your contribution can be deductible. So, if you and your spouse contributed \$3,000 to your respective IRAs, \$6,000 of your contributions is deductible.

A special rule applies if you are not an active participant in a retirement plan but your spouse is an active participant in a retirement plan sponsored by your spouse's employer and you and your spouse file a joint return. In this event, if the combined adjusted gross income of you and your spouse is less than \$150,000, you can deduct the full amount of your traditional IRA contribution. If the combined adjusted gross income of you and your spouse is greater than \$160,000, no amount of your traditional IRA contribution is deductible. If the combined adjusted gross income of you and your spouse is between \$150,000 and \$160,000, some portion of your contribution can be deductible and the remainder will be nondeductible. The percentage of your contribution that will not be deductible is the percentage obtained when dividing the amount by which your combined adjusted gross income exceeds \$150,000 by \$10,000. For example, if your combined adjusted gross income in 2002 is \$151,000, the percentage of your contribution that is not deductible is 10% ($\$151,000 - \$150,000 = \$1,000$ divided by $\$10,000 = 10\%$). So, if you contributed \$3,000 to your IRA, \$2,700 of your contribution is deductible. In this example, your spouse could not make a deductible contribution to your spouse's IRA because your spouse is an active participant in a retirement plan and your adjusted gross income exceeds the applicable amount for 2002 (\$64,000).

If you qualify to make tax-deductible contributions under the above rules, you can elect to treat your contributions as nondeductible. (You might do this if you do not need the tax deduction). You make the election on your tax return. If you file an amended tax return, you can change your election from deductible to nondeductible, and vice versa.

If you make nondeductible contributions, you must inform the Internal Revenue Service of the amount thereof for the year, the amount of nondeductible contributions made in prior years and not yet withdrawn, and the year-end balance of your IRA, the amount of any distributions you receive during the year and such other information as the Internal Revenue Service requests.

B. Roth IRA

1. Annual Contributions

You can make annual contributions to your Roth IRA up to the lesser of 100% of your compensation for that year or the IRA Contribution Limit. In addition, you may make a contribution to a Spousal Roth IRA up to the IRA Contribution Limit, if you and your spouse file a joint tax return. You may make a contribution to a Roth IRA even if you are age 70½ or older. Contributions for a year can be made as late as the due date (without regard to extensions) of the federal income tax return for that year. The "IRA Contribution Limit" is \$3,000 for 2002, and will increase as follows:

The "IRA Contribution Limit" is \$3,000 for 2002, and will increase as follows:

IRA Contribution Limit

Year	Limit
2002-2004	\$3,000
2005-2007	\$4,000
2008	\$5,000
2009 +	\$5,000 <small>Increased by cost of living adjustments in 1,000 increments</small>

In addition, if you are age 50 or over by the end of any year, you may make a special "catch-up" contribution to a Roth IRA for that year. The catch-up contribution is \$500 for 2002 through 2006 and will increase to \$1,000 in 2006 and thereafter. If you are age 50 by the end of a year, your catch-up limit is added to your normal IRA Contribution Limit for that year. For example, if you are age 50 or

older in 2002, your maximum IRA contribution is \$3,500 (\$3,000 under the normal IRA Contribution Limit plus \$500 under the special "catch-up" contribution limit.)

Your Roth IRA Contribution Limit is reduced by any contributions for the same year to a traditional IRA. For example, if your compensation for 2002 is at least \$3,000, you are under age 50, and you contribute \$1,000 to a traditional IRA, your maximum Roth IRA contribution limit is \$2,000.

If your income exceeds certain limits, you may not be able to make any contributions to a Roth IRA, or your contributions may be limited. This will depend on your adjusted gross income and your filing status.

Your contribution to a Roth IRA is not limited if you are a single taxpayer and your adjusted gross income is up to \$95,000, or if you are married and file a joint tax return and your adjusted gross income is up to \$150,000.

You may not make a contribution to a Roth IRA if you are a single taxpayer and your adjusted gross income is \$110,000 or more, or if you are married and file a joint tax return and your adjusted gross income is \$160,000 or more.

Your contribution is reduced if:

- You are a single taxpayer whose adjusted gross income is more than \$95,000 but less than \$110,000; or
- You are married and file a joint tax return and your adjusted gross income is more than \$150,000 but less than \$160,000.

The amount of the reduction is determined as follows. Multiply the IRA Contribution Limit by a fraction. The numerator of the fraction is the amount by which your adjusted gross income exceeds the lower number shown above (\$95,000 if you are single and \$150,000 if you are married filing jointly.) The denominator of the fraction is \$15,000 (if you are single) or \$10,000 (if you are married filing jointly.) Subtract the result from your IRA Contribution Limit. For example, assume you are married, under age 50, file a joint tax return with your spouse and your combined adjusted gross income is \$154,000. Your Roth IRA contribution is reduced by 40% ($(154,000 - 150,000) \div 10,000 = 40\%$). This results in a maximum Roth IRA contribution of \$1,800 for 2002. ($40\% \times \$3,000$ [IRA Contribution Limit for 2002] = \$1,200; $\$3,000 - \$1,200 = \$1,800$.)

Contributions to a Roth IRA are not deductible. However, earnings on your contributions accumulate tax-free and, if certain conditions are met, may be withdrawn on a tax-free basis.

2. Conversion Contributions

You are eligible to convert a traditional IRA to a Roth IRA if, for the year of the conversion, your adjusted gross income is \$100,000 or less. This same limit applies to married and single taxpayers. If you are married, you may convert a traditional IRA to a Roth IRA only if you file a joint tax return; if you and your spouse each file a separate return, you are not eligible to convert.

The conversion is treated as a taxable distribution from your traditional IRA and a subsequent conversion contribution to a Roth IRA. Distributions from your traditional IRA are includable in your taxable income in the year of the distribution, except for any portion of the distribution that represents a tax-free return of your prior nondeductible contributions. However, the distribution from your traditional IRA is not subject to the 10% penalty tax on early distributions, even if you are under age 59½ at the time of the conversion.

C. Recharacterization of IRA Contributions

A contribution to one type of IRA may generally be recharacterized as a contribution to a different type of IRA. You may decide to recharacterize a contribution because, for example, you made a conversion contribution to a Roth IRA early in the year and then realize that your adjusted gross income will exceed \$100,000 in that year.

A recharacterization is made by directing a transfer of the contribution, adjusted for earnings, to the new type of IRA and informing the transferring custodian and the receiving custodian that you are recharacterizing the contribution. The recharacterization must be completed by the due date (including extensions) of your federal income tax return for the year of the original contribution.

The recharacterization is permissible only if the contribution could have been originally made to the receiving IRA. For example, you may not recharacterize amounts in excess of the IRA Contribution Limit (unless they are rollover or conversion contributions.)

Under current IRS rules, recharacterization is not restricted to amounts you converted from a traditional IRA to a Roth IRA. You can, for example, make an annual contribution to a traditional IRA and then recharacterize it as a contribution to a Roth IRA, or vice versa. You must make the election to recharacterize by the due date for your tax return for the year.

How Are Distributions Taxed?

A. Traditional IRA

You must give the Custodian written notification of the time you wish to begin receiving distributions from your traditional IRA, and the manner in which you wish to receive payment. Unless you direct the Custodian not to withhold income tax from distributions from a traditional IRA, the law requires that the Custodian do so.

Some or the entire amount distributed may be included in your gross income and taxed as ordinary income, depending on whether your contributions were deductible or not deductible. Where all contributions to your traditional IRA have been tax deductible, all distributions from your traditional IRA will be includable in your gross income and taxed as ordinary income. Where some portion of your contributions have been tax deductible and some have not, only a portion of the amount distributed will be includable in your gross income. The percentage of the distribution not includable in your gross income is the percentage obtained by dividing the total amount of nondeductible contributions ever made by you to the traditional IRA (and not previously withdrawn) by the balance in your traditional IRA (all of them, if you have more than one) at year-end plus the amount of distributions for the year. For example, if you withdrew \$1,000 during the year, and previously made \$2,500 in nondeductible contributions, and the year-end balance in your traditional IRA is \$4,000, 50% of your \$1,000 distribution is not includable in your gross income. ($\$4,000 + \$1,000 = \$5,000$; $\$2,500 \div \$5,000 = 50\%$.)

Beginning with April 1 of the calendar year immediately following the calendar year in which you became 70½, you must begin to receive distributions from your traditional IRA. The Internal Revenue Service publishes guidelines telling you the minimum amount you must receive each year (of course, you can take more). If the amount distributed is less than the minimum amount required to be distributed, you must pay a penalty equal to 50% of the difference between the amount distributed and the minimum amount required to be distributed.

B. Roth IRA

You can make a withdrawal from your Roth IRA at anytime. The principal amounts that you contributed can always be withdrawn tax-free. Withdrawals of earnings will be tax-free if two requirements are met. First, the Roth IRA must have been open for five or more years before the withdrawal. Second, one of the following conditions must be met:

- You are at least age 59½ when you make the withdrawal.
- The withdrawal is made by your designated beneficiary after your death.
- You are disabled when you make the withdrawal.
- You are using the withdrawal for eligible first-time

homebuyer expenses (subject to a \$10,000 lifetime limit). Eligible expenses include the costs of purchasing, building or rebuilding a principal residence (including customary settlement, financing or closing costs.) The purchaser may be you, your spouse or a child, grandchild, parent or grandparent of you or your spouse. A person is considered a "first-time homebuyer" if the person (and spouse, if married) did not have an ownership interest in a principal residence during the two-year period immediately preceding the acquisition. The withdrawal must be used for eligible expenses within 120 days after the withdrawal.

For a Roth IRA that you opened with an annual contribution, the five-year period starts with the year for which you make the initial annual contribution. For a Roth IRA that you opened with amounts rolled over or converted from a non-Roth IRA, the five-year period begins with the year in which the conversion or rollover was made.

If a withdrawal does not satisfy both of the conditions described above, the tax treatment of the withdrawal will depend on the character of the amounts withdrawn. To make this determination, all of your Roth IRAs are treated as one. Amounts withdrawn are treated as made in the following order:

- First, all annual contributions.
- Second, all conversion amounts (on a first-in, first-out basis.)
- Third, earnings.

A withdrawal of prior annual contribution amounts to your Roth IRA is not taxable income in the year you receive it and the 10% early distributions penalty tax does not apply (see below.) A withdrawal of previously taxed conversion amounts also is not taxable income in the year of the withdrawal but is subject to the 10% early distributions penalty tax. A withdrawal of earnings is includable in your gross income in the year you receive it and may be subject to the 10% early distributions penalty tax.

For purposes of determining what portion of a withdrawal is includable in income, all of your Roth IRA accounts are considered as one account. Thus, a withdrawal from a Roth IRA account is not considered to be from earnings until an amount equal to all prior annual contributions and all conversion amounts to all Roth IRAs has been withdrawn.

C. Early Distributions Penalty Tax

If you receive a taxable distribution from your traditional IRA or Roth IRA before you are age 59½ then, in addition to any income tax on the distribution, you must pay a tax penalty equal to 10% of the amount that is includable in your gross income. The additional 10% penalty tax does not apply to the following types of distributions from your traditional or Roth IRA:

- Distributions after you reach age 59½.
- Distributions attributable to your disability.
- Distributions made to your designated beneficiary after your death.
- Distributions that are part of a series of substantially equal periodic payments (not less frequently than annually) made for your life or life expectancy, or for the joint lives or life expectancies of you and your beneficiary.
- Distributions you receive to the extent the distributions do not exceed the amount of your deductible medical expenses for the taxable year (generally, medical expenses in excess of 7.5% of your adjusted gross income.)
- Distributions you receive following termination of employment to the extent the distributions do not exceed the amount of medical insurance premiums you paid for yourself, your spouse and dependents for the taxable year, provided that you have received at least 12 consecutive weeks of unemployment compensation during the current or prior taxable year. This exception does not apply to any

distributions received after you have been re-employed for at least 60 days.

- Distributions to pay for qualified higher education expenses, including tuition, fees, books, supplies, equipment and room and board required for attendance for you, your spouse, your children, or your grandchildren at an eligible post-secondary educational institution.
- Distributions up to \$10,000 used to pay for acquisition costs of a principal residence for a first-time homebuyer, including you, your spouse, or any children, grandchildren, parents, or grandparents of you or your spouse. The distribution must be used within 120 days after it is received. You are considered a first-time homebuyer if you (and your spouse, if married) have not owned a principal residence during the two-year period ending on the date of the acquisition. The aggregate amount of distributions you may take under this first-time homebuyer exception for the year of the distribution and all prior years is \$10,000.
- Distributions made pursuant to an IRS levy to pay overdue taxes.

In addition, if you convert an amount from a non-Roth IRA to a Roth IRA, and then make a withdrawal that is treated as coming from that converted amount within five years after the conversion, the 10% penalty applies (unless an exception is available.)

Rollovers

You can defer paying income tax on certain distributions from a qualified pension and profit sharing plan, a tax-sheltered annuity or a Code Section 457(b) governmental deferred compensation plan by rolling over the distribution into a traditional IRA. You should consult with your tax advisor to verify that your distribution qualifies for rollover treatment under the Internal Revenue Code. Distributions from these types of plans may not be rolled over into a Roth IRA. If the distribution qualifies, you must roll over the funds into a traditional IRA within 60 days of the day you received the distribution. Effective January 1, 2002, you may also rollover any part of your distribution that consists of your own nondeductible contributions to the qualified plan. Portions of the distribution other than cash may be rolled over in kind, or they may be sold and the sale proceeds rolled over. You can roll over the eligible distribution into a separate traditional IRA with the Custodian, known as a Rollover IRA. Alternatively, you can combine the distribution with your regular (Accumulation) IRA with the Custodian. Effective January 1, 2002, you may be able to later roll over your traditional IRA (Rollover IRA or Accumulation IRA) into another qualified plan.

You may also roll over your investment in one IRA to another IRA. Rollovers are only permitted between the same type of IRA (from a traditional IRA to a traditional IRA or from a Roth IRA to a Roth IRA.) You can do this by a direct transfer from the trustee/custodian of your old IRA to the trustee/custodian of your new IRA, or you can withdraw the funds and roll them over yourself within 60 days of your receipt of the funds. However you may do the latter only once in a year. The one-year period begins on the date you receive the IRA distribution, not on the date you roll it over. When making a rollover from one IRA to another IRA, the same property must be used. Thus, if you receive stock from your old IRA, the same stock must be used for payment to your new IRA.

Effective January 1, 2002, you may rollover taxable distributions from a traditional IRA into:

- Another traditional IRA;
- An employer's qualified retirement plan;
- A Code Section 403(b) tax-sheltered annuity; or
- A governmental deferred compensation plan under Code Section 457(b).

The funds must be rolled over within 60 days after the payment is made. You may not roll over after-tax contributions or non-deductible contributions that you made to the IRA. You should

confirm with the plan sponsor that it will accept a rollover from an IRA.

Collectibles

If you direct the Custodian to acquire art works, rugs, antiques, metals, gems, stamps, coins, alcoholic beverages or other tangible personal property specified by the Secretary of the Treasury ("collectibles"), the cost of the collectible is treated as a distribution from your IRA. Notwithstanding the foregoing, your IRA may hold gold or silver coins issued by the United States and acquired after December 31, 1986, or coins issued under the laws of any state and acquired after November 10, 1988, or platinum coins issued by the United States and acquired after December 31, 1997, or certain types of gold, silver, platinum, or palladium bullion that is in the possession of the Custodian and acquired after December 31, 1997.

Prohibited Transactions

If you engage in a prohibited transaction with your IRA, your IRA loses its exemption from tax, and the entire amount of your IRA is deemed distributed to you as of the first day of the calendar year during which you engaged in the transaction. Except where nondeductible contributions have been made, the entire traditional IRA, and Roth IRA assets not eligible for tax-free withdrawal, will be includable in your gross income. If you are less than 59½ at the time you engaged in the transaction, the 10% penalty for early distribution will also apply. Prohibited transactions include borrowing from your IRA; selling, exchanging or leasing any property between you and your IRA; and any other interference with the independent status of your IRA.

Excess Contributions

No deduction is allowed for an excess contribution to your traditional IRA. An excess contribution is the portion of a contribution to your IRA in excess of the IRA Contribution Limit. An excess contribution may result from contributions made by you or on your behalf, or from an improper rollover. Excess contributions to a traditional IRA or a Roth IRA are subject to a nondeductible tax of 6%. The excess is taxed for the year of the excess contribution and each year after that until you correct it. The tax cannot be more than 6% of the value of your IRA as of the end of your tax year.

Example:

For 2002, Tom is filing as single on his tax return. His compensation is \$21,000 and he is under age 50. He contributed \$3,500 to his IRA.

Tom's excess contribution is \$500 (\$3,500 minus \$3,000). He does not withdraw it by the due date of his return, including extensions. Therefore, it is an excess contribution to his IRA.

He figures his penalty tax by multiplying the excess contribution (\$500) by .06, giving him a penalty tax of \$30.

Excess contributions you withdraw by the date your return is due.

You will not have to pay the 6% excise tax if you withdraw the excess amount by the date your tax return is due, including extensions. You do not have to include in your gross income an excess contribution that you withdraw from your IRA before your tax return is due if:

- 1) No deduction was allowed for the excess contribution to a traditional IRA, and
- 2) the interest or other income earned on the excess was also withdrawn.

However, you must include in your gross income the interest or other income that was earned on the excess contribution. Report it on your return in the year of the excess contribution.

You may also have to pay an additional 10% tax on early distributions on the amount of this interest or other income, unless one of the exceptions applies.

Excess contributions you withdraw after your return is due

If you make an excess contribution to your IRA for a taxable year and you withdraw the excess contribution after the due date for filing your tax return, including extensions, the returned excess contribution will not be included in your gross income if (1) you did not take a deduction for the excess contribution, and (2) your total IRA contributions for the year were not more than the IRA Contribution Limit for that year. It is not necessary to withdraw the interest or other income earned on the excess. However, you will have to pay the 6% tax on the excess amount for each year the excess contribution was in the IRA.

Excess contributions greater than the IRA Contribution Limit

If the contributions to your IRA for any year are more than the IRA Contribution Limit, you must include in your gross income any excess over the IRA Contribution Limit for that year unless it is an excess rollover contribution attributable to erroneous information. You will also have to include the excess in income in the year you withdraw it. You may also have to pay a 10% tax on early distributions on the amount you withdraw, unless you are at least age 59½ or one of the other exceptions to the 10% penalty tax applies.

Excess employer contributions you withdraw before your return is due

If your employer contributes more to your SEP-IRA than 25% of your compensation or \$40,000, whichever is less, you must withdraw this excess amount (including any earnings) from your SEP-IRA before the date for filing your tax return, including extensions. If you do not, you are liable for the 6% tax on excess contributions. You may also have to pay the 10% penalty tax on the early distribution of the earnings on the excess contribution.

Excess employer contributions you withdraw after your return is due

If employer contributions for the year are \$40,000 or less, you may withdraw any excess employer contributions for your SEP-IRA after the due date for filing your tax return, including extensions, free of the 10% penalty tax on early distributions. However, the excess contribution is subject to the annual 6% excise tax. Also, you may have to pay the additional 10% penalty tax on the early withdrawal of interest or other income earned on the excess contribution.

Estate Tax

The value of your IRA is includable in your gross estate for federal estate tax purposes.

Amendments

You may not amend the Agreement. You may change an election in the Adoption Agreement. You must notify the Custodian in writing of the change because the Custodian cannot honor any change of election it has not received. The Custodian may amend the Agreement at any time, including retroactively. If the Custodian amends the Agreement it will notify you in writing.

Miscellaneous

- 1) H&R Block Financial Advisors, Inc. was approved as a non-bank custodian for IRAs by the Internal Revenue Service on December 8, 1983. On June 11, 1984, July 21, 1986, and October 10, 2003, the Internal Revenue Service approved the original and amended versions of the H&R Block Financial Advisors, Inc. Prototype Individual Retirement Custodial Account Agreement. A copy of the December 8, 1983, July 21, 1986, and October 10, 2003, Internal Revenue Service determination letters is enclosed herein. The Internal Revenue Service has not evaluated the merits of the Individual Retirement Custodial Account, and does not guarantee the contribution or the investments made into the account.
- 2) Growth in the value of your IRA cannot be guaranteed or precisely projected.
- 3) The Custodian, in consideration of its services under this Agreement, shall receive the fees specified in its current fee

schedule. The Custodian may amend its fee schedule at any time.

- 4) Any taxes of any kind which may be imposed with respect to your IRA and any administrative expenses incurred by the Custodian, together with any custodial fees referred to above, shall be paid by you, your estate, or from your IRA. The Custodian may withdraw cash and sell assets from your IRA to pay such amounts.
- 5) You must file Treasury Form 5329 with the Internal Revenue Service for each taxable year during which your contributions exceed the contribution limits; you receive a premature distribution; or you receive less than the required minimum distribution.
- 6) The provisions of the Agreement apply without regard to any state's community property laws.
- 7) Masculine pronouns, whenever used herein, shall be deemed to include the feminine, and the use of the masculine pronouns shall not be deemed to imply any preference for them or any subordination, disqualification or exclusion of the Feminine.
- 8) Further information about individual retirement accounts can be obtained from any district office of the Internal Revenue Service, or by obtaining a copy of IRS Publication 590.

PART A (Applicable Only to Traditional IRA's)

Prototype Individual Retirement Custodial Account Agreement (Traditional IRA)

This Agreement is made between the Participant and H&R Block Financial Advisors, Inc., as passive custodian (sometimes hereinafter referred to as the "Custodian").

WHEREAS, the Participant wishes to establish, under the terms of this Agreement, an Individual Retirement Account (hereinafter referred to as a "Custodial Account"); and

WHEREAS, the Custodian has provided the Participant with the disclosure statement required by the Treasury regulations for Section 408(i) of the Code,

NOW, THEREFORE, the Participant and the Custodian, by executing the Adoption Agreement incorporating this Agreement, agree as follows in Part A and Part C:

Article I. Contributions

Section 1. Types of Contributions

The Custodian can accept the following types of contributions under this Agreement:

- A. rollover contributions described in Code Sections 402(c), 402(e)(6), 403(a)(4), 403(b)(6), 403(b)(10), 406(d)(3) or 457(e)(16) ("rollover contributions");
- B. employer contributions for the Participant's benefit to a Simplified Employee Pension Plan ("SEP") as described in Code Section 408(k);
- C. a recharacterized contribution described in Code Section 408A (d)(6); and
- D. annual contributions that, in the aggregate, do not exceed the lesser of 100% of the Participant's compensation or the IRA Contribution Limit of up to \$3,000 for tax year 2002 through 2004. That Contribution Limit is increased to \$4,000 for tax years 2005 through 2007 and \$5,000 for 2008 and thereafter. For years after 2008, these limits will be increased by the Secretary of the Treasury under Code section 219(b)(5)(C) to reflect cost-of-living increases, if any. Such adjustments will be in multiples of \$500. For individuals who have reached the age of 50 before the close of the tax year, the contribution limit is increased by \$500 for any taxable year beginning in 2002 through 2005 and by

\$1,000 for the taxable year 2006 and thereafter. However, if:

- (i) The Participant has a spouse who (a) did not receive any compensation for the tax year or (b) elects to be treated as not having received compensation for that tax year;
- (ii) the spouse has signed an Adoption Agreement to establish his or her own individual retirement account under this Agreement and the Agreement is in effect for that year; and
- (iii) The Participant and spouse file a joint income tax return for that year, then for that tax year the Participant may make a combined annual contribution to the Custodial Accounts established by the Participant and spouse that does not exceed the lesser of 100% of the Participant's Compensation, and two times the IRA Contribution Limit (\$6,000 for 2002). The Participant may allocate the combined annual contribution between the two Custodial Accounts, but may not allocate more than the IRA Contribution Limit of such contribution to either account.

No contributions will be accepted under a SIMPLE IRA plan established by any employer pursuant to Code Section 408(p). Also, no transfer or rollover of funds attributable to contributions made by a particular employer under its SIMPLE IRA plan will be accepted from a SIMPLE IRA, that is, an IRA used in conjunction with a SIMPLE IRA plan, prior to the expiration of the two-year period beginning on the date the individual first participated in that employer's SIMPLE IRA plan.

Section 2. Age Limitations on Making Contributions

A Participant can no longer make contributions to his or her Custodial Account once the Participant reaches the tax year during which he or she becomes age 70½. However, in the case of a Spousal IRA, a Participant can continue to make annual contributions to the spouse's Custodial Account that do not exceed the lesser of 100% of the Participant's Compensation or the IRA Contribution Limit, provided the Participant and spouse file a joint income tax return for the tax year for which the contribution is made, and provided further that the spouse is not age 70½ or older at the end of such tax year.

Section 3. Form of Making Contributions

Contributions other than rollover contributions or recharacterized contributions must be made in the form of cash. Annual contributions must be accompanied by a written statement or other notation indicating the calendar year for which such contribution is made, and paid to the Custodian on or before the due date (but not including extensions thereof) for filing the Participant's federal income tax return for such calendar year. If the Participant does not furnish the written statement required herein, the Custodian will assume that the contribution was made under Code Section 219(b)(1) for the calendar year in which it was received by the Custodian.

Section 4. Excess Contributions

If a Participant makes a contribution to a Custodial Account which the Participant deems to be in excess of the Code's limitations, the Participant may withdraw such excess amount, plus any increment thereon, upon written notice to the Custodian that there has been such excess contribution, and, where necessary, with instructions to sell securities. The Custodian shall not have any duty, obligation or responsibility to determine whether an excess contribution is being or has been made to a Participant's Custodial Account.

Section 5. Exclusive Benefit

The Participant's Custodial Account shall be created and held for the exclusive benefit of the Participant and the Participant's Beneficiaries.

Section 6. Contributions Non-Forfeitable

The Participant's interest in the balance in the Participant's Custodial Account is non-forfeitable.

Article II. Investments

Section 1. Life Insurance Contracts: Collectibles:

Commingling

No part of the Participant's Custodial Account may be invested in life insurance contracts, nor may any part of the Custodial Account be commingled with other property except in a common trust fund or common investment fund within the meaning of Code Section 408(a)(5). No part of the Participant's Custodial Account may be invested in collectibles (within the meaning of Code Section 408(m)), except as otherwise permitted by Code Section 408(m)(3), which provides an exception for certain gold, silver and platinum coins, coins issued under the laws of any state, and certain bullion.

Article III. Distributions

Section 1. Permissive Distributions

The Participant may withdraw any part or all of the assets in his or her Custodial Account at any time, by completing and giving the Custodian a properly completed Distribution Form. Blank Distribution Forms may be obtained from the Custodian.

Section 2. Required Distributions

A. Notwithstanding any provision of this Agreement to the contrary, the distribution of the Participant's interest in his or her Custodial Account shall be made in accordance with the following requirements and shall otherwise comply with Section 408(a)(6) of the Internal Revenue Code and the regulations thereunder, which are herein incorporated by reference.

B. The Participant's entire interest in his or her Custodial Account must be or begin to be distributed by the Participant's required beginning date, the April 1 following the calendar year-end in which the Participant reaches age 70½ (the "required beginning date"). By that date, the Participant may elect, in a manner acceptable to the Custodian, to have the balance in the Custodial Account distributed in:

- (i) A single sum payment.
- (ii) Equal or substantially equal monthly, quarterly, or annual payments over the life of the Participant. The payments must begin by April 1 following the calendar year in which the Participant reaches age 70½.
- (iii) Equal or substantially equal monthly, quarterly, or annual payments over the joint and last survivor lives of the Participant and his or her designated beneficiary. The payments must begin by the April 1 following the calendar year in which the Participant reaches age 70½.
- (iv) Equal or substantially equal annual payments over a specified period that may not be longer than the Participant's life expectancy.
- (v) Equal or substantially equal annual payments over a specified period that may not be longer than the joint life and last survivor expectancy of the Participant and his or her designated beneficiary.

Even if distributions have begun to be made under option (iv) or (v), the Participant may receive a distribution of the balance in his or her Custodial Account at any time by giving written notice to the Custodian. Forms for providing such notice may be obtained from the Custodian. If the Participant does not choose any of the methods

of distribution described above by April 1 following the calendar year in which he or she reaches age 70½, distribution to the Participant will be made on that date by a single sum payment. If the Participant elects as a means of distribution (iv) or (v) above, the annual payment required to be made by the Participant's required beginning date is for the calendar year the Participant reached age 70½. Annual payments for subsequent years, including the year the Participant's required beginning date occurs, must be made by December 31 of that year.

The required minimum distribution under paragraph B for any year, beginning with the year the Participant reaches age 70½, is the Participant's account value at the close of business on December 31 of the preceding year divided by the distribution period in the Uniform Lifetime Table in Q&A-2 of Regulation Section 1.401(a)(9)-9, using the Participant's age as of his or her birthday in the year. However, if the Participant's sole designated beneficiary is his or her surviving spouse, and such spouse is more than 10 years younger than the Participant, then the distribution period is determined under the Joint and Last Survivor Table in Q&A-3 of Regulation Section 1.401(a)(9)-9, using the ages as of the Participant's and spouse's birthdays in the year.

C. If the Participant dies on or after the required beginning date, the entire remaining interest will be distributed at least as rapidly as follows:

- (i) If the designated beneficiary is not the Participant's surviving spouse, the remaining interest will be distributed over the beneficiary's remaining life expectancy as determined using the beneficiary's age as of his or her birthday in the year following the year of the Participant's death, or over the period in paragraph C(ii) below if longer.
- (ii) If the sole designated beneficiary is the Participant's surviving spouse, the remaining interest will be distributed over such spouse's life or over the period in paragraph C(iii) below if longer. Any interest remaining after the spouse's death will be distributed over such spouse's remaining life expectancy determined using the spouse's age as of his or her birthday in the year of the spouse's death, or, if the distributions are being made over the period in paragraph C(iii) below, over such period.
- (iii) If there is no designated beneficiary, or if applicable by operation of paragraph C(i) or (ii) above, the remaining interest will be distributed over the remaining life expectancy of the Participant determined in the year of the Participant's death.
- (iv) The amount to be distributed each year under paragraphs C(i), (ii) or (iii), beginning with the calendar year following the calendar year of the Participant's death, is the account value at the close of business on December 31 of the preceding year divided by the remaining life expectancy specified in such paragraph (as determined in the Single Life Table in Q&A-1 of Regulation Section 1.401(a)(9)-9).

If distributions are being made to a surviving spouse as the sole beneficiary, such spouse's remaining life expectancy for a year is the number in the Single Life Table corresponding to such spouse's age in the year. In all other cases, remaining life expectancy for a year is the number in the Single Life Table corresponding to the beneficiary's or the Participant's age in the year specified in paragraph C(i), (ii) or (iii) and reduced by 1 for each subsequent year.

D. If the Participant dies before the required beginning date, the remaining interest will be distributed at least as rapidly

as follows:

- (i) If the designated beneficiary is someone other than the Participant's surviving spouse, the entire interest will be distributed, starting by the end of the calendar year following the calendar year of the Participant's death, over the remaining life expectancy of the designated beneficiary, with such life expectancy determined using the age of the beneficiary as of his or her birthday in the year following the year of the Participant's death, or, if elected, in accordance with paragraph (iii) below.
- (ii) If the Participant's sole designated beneficiary is the Participant's surviving spouse, the entire interest will be distributed, starting by the end of the calendar year following the calendar year of the Participant's death (or by the end of the calendar year, in which the Participant would have attained the age of 70^½, if later), over such spouse's life, or, if elected, in accordance with paragraph (iii) below. If the Participant's surviving spouse dies before distributions are required to begin, then the remaining interest will be distributed, starting by the end of the calendar year following the calendar year of the spouse's death, over the spouse's designated beneficiary's remaining life expectancy determined using such beneficiary's age as of his or her birthday in the year following the death of the spouse, or, if elected, will be distributed in accordance with paragraph (iii) below. If the surviving spouse dies after distributions are required to begin, any remaining interest will be distributed over the spouse's remaining life expectancy determined using the spouse's age as of his or her birthday in the year of the spouse's death.
- (iii) If there is no designated beneficiary, or if applicable by operation of paragraph D (i) or (ii) above, the entire interest will be distributed by the end of the calendar year containing fifth anniversary of the Participant's death (or of the spouse's death in the case of the surviving spouse's death before distributions are required to begin under paragraph (ii) above).
- (iv) The amount to be distributed each year under paragraph D(i) or (ii) above is the account value at the close of business on December 31 of the preceding year divided by the life expectancy specified in such paragraph (as determined in the Single Life Table in Q&A-1 of Regulation section 1.401(a)(9)-9). If distributions are made to a surviving spouse as the sole designated beneficiary, such spouse's remaining life expectancy for a year is the number in the Single Life Table corresponding to such spouse's age in that year. In all other cases, remaining life expectancy for a year is the number in the Single Life Table corresponding to the beneficiary's age in the year specified in paragraph D(i) or (ii) and reduced by 1 for each subsequent year.
- E. The "value" of the account includes the amount of any outstanding rollover, transfer and recharacterization under Q&As-7 and - 8 of Regulations section 1.408-8.
- F. If the Participant's surviving spouse is the designated beneficiary, such spouse may elect to treat the IRA as his or her own IRA. This election will be deemed to have been made if such surviving spouse makes a contribution to the IRA or fails to take required distributions as a beneficiary.

- G. If the Participant dies before his or her entire interest has been distributed and if the designated beneficiary is other than the Participant's surviving spouse, no additional cash contributions may be accepted in the Custodial Account.
- H. If a participant owns more than one traditional IRA, the participant may satisfy the minimum distribution requirements described above by receiving a distribution from one traditional IRA that is equal to the amount required to satisfy the minimum distribution requirements for two or more traditional IRAs, in accordance with Q&A-9 of Regulation section 1.408-8.

PART B (Applicable Only to Roth IRA's)

Roth Individual Retirement Custodial Account Agreement (Roth IRA)

This Roth Agreement is made between the Participant and H&R Block Financial Advisors, Inc., as passive custodian (sometimes hereinafter referred to as the "Custodian").

WHEREAS, the Participant wishes to establish, under the terms of this Roth Agreement, a Roth Individual Retirement Account (hereinafter referred to as a "Roth IRA"); and

WHEREAS, the Custodian has provided the Participant with the disclosure statement required by the Treasury regulations Section 1.408-6 of the Code,

NOW, THEREFORE, the Participant and the Custodian, by executing the Adoption Agreement incorporating this Roth Agreement, agree as follows in Part B and Part C:

Article I. Contributions

Section 1.

Except in the case of a rollover contribution described in section 408A (e), a recharacterized contribution described in section 408A (d)(6), or an IRA Conversion Contribution, the Custodian will accept only cash contributions up to \$2,000 per year, or the Participant's compensation, if less, for tax years 2002 through 2004. That contribution limit is increased to \$4,000 for tax years 2005 through 2007 and \$5,000 for 2008 and thereafter. For individuals who have reached the age of 50 before the close of the tax year, the contribution limit is increased to \$3,500 per year for tax years 2002 through 2004, \$4,500 for 2005, \$5,000 for 2006 and 2007, and \$6,000 for 2008 and thereafter. For years after 2008, the above limits will be increased by the Secretary of the Treasury under Code section 219(b)(5)(C) to reflect a cost-of-living adjustment, if any. Such adjustments will be in multiples of \$500.

Section 2.

The annual contribution limit described in Article I, Section 1 is gradually reduced to \$0 for higher income levels. For a single Participant, the annual contribution is phased out between adjusted gross income ("AGI") of \$95,000 and \$110,000; for a married Participant, the annual contribution is phased out between AGI of \$150,000 and \$160,000; and for a married Participant filing separately, between AGI of \$0 and \$10,000. In the case of a conversion, the Custodian will not accept IRA Conversion Contributions in a tax year if the Participant's AGI for the tax year the funds were distributed from the other IRA exceeds \$100,000 or if the Participant is married and files a separate return. Adjusted gross income is defined in section 408A(c)(3) and does not include IRA Conversion Contributions. If the Participant makes regular contributions to both Roth and non-Roth IRAs for a taxable year, the maximum regular contribution that can be made to the entire Participant's Roth IRAs for that taxable year is reduced by the regular contributions made to the Participant's non-Roth IRAs for the taxable year.

Section 3.

In the case of a joint return, the AGI limits in the preceding

paragraph apply to the combined AGI of the Participant and his or her spouse.

Section 4.

A rollover from a non-Roth IRA cannot be made to a Roth IRA if, for the year the amount is distributed from the non-Roth IRA, (i) the Participant is married and files a separate return, (ii) the Participant is not married and has modified AGI in excess of \$100,000 or (iii) the Participant is married and together the Participant and the Participant's spouse have modified AGI in excess of \$100,000. For purposes of the preceding sentence, a husband and wife are not treated as married for a taxable year if they have lived apart at all times during the taxable year and file separate returns for the taxable year.

Section 5.

A regular contribution to a non-Roth IRA may be recharacterized pursuant to the rules in section 1.408A-5 of the regulations as a regular contribution to the Roth IRA, subject to the limits in sections 1 and 2 above.

Article II. Nonforfeitability

The Participant's interest in the balance of the Roth IRA is nonforfeitable.

Article III. Investments

Section 1.

No part of the Roth IRA funds may be invested in life insurance contracts, nor may the assets of the Roth IRA be commingled with other property except in a common trust fund or common investment fund (within the meaning of section 408(a)(5)).

Section 2.

No part of the Roth IRA funds may be invested in collectibles (within the meaning of section 408(m)) except as otherwise permitted by section 408(m)(3), which provides an exception for certain gold, silver, and platinum coins, coins issued under the laws of any state, and certain bullion.

Article V. Distributions

Section 1. Required Distributions

A.) Notwithstanding any provision of this Agreement to the contrary, the distribution of the Participant's interest in his or her custodial account shall be made in accordance with the requirements of Code Section 408(a)(6), as modified by Code Section 408A(c)(5), and the regulations there under, the provisions of which are herein incorporated by reference.

B.) If the Participant dies before his or her entire interest is distributed to him or her, his or her remaining interest will be distributed at least as rapidly as follows:

(i) If the designated beneficiary is someone other than the Participant's surviving spouse, the remaining interest will be distributed, starting by the end of the calendar year following the calendar year of the Participant's death, over the designated beneficiary's remaining life expectancy, with such life expectancy determined using the age of the beneficiary as of his or her birthday in the year following the year of the Participant's death, or, if elected, in accordance with paragraph (b)(iii) below.

(ii) If the Participant's sole designated beneficiary is the Participant's surviving spouse, the entire interest will be distributed, starting by the end of the calendar year following the calendar year of

the Participant's death (or by the end of the calendar year in which the Participant would have attained age 70½, if later), over such spouse's life, or, if elected, in accordance with paragraph B (iii) below. If the surviving spouse dies before distributions are required to begin, the remaining interest will be distributed, starting by the end of the calendar year following the calendar year of the spouse's death, over the spouse's designated beneficiary's remaining life expectancy determined using such beneficiary's age as of his or her birthday in the year following the death of the spouse, or, if elected, will be distributed in accordance with paragraph B (iii) below. If the surviving spouse dies after distributions are required to begin, any remaining interest will be distributed over the spouse's remaining life expectancy determined using the spouse's age as of his or her birthday in the year of the spouse's death.

(iii) If there is no designated beneficiary, or if applicable by operation of paragraph B (i) or (ii) above, the remaining interest will be distributed by the end of the calendar year containing the fifth anniversary of the Participant's death (or of the spouse's death, in the case of the surviving spouse's death before distributions are required to begin under paragraph B (ii) above.

(iv) The amount to be distributed each year under paragraph B(i) or (ii) above is the account value at the close of business on December 31 of the preceding year divided by the life expectancy specified in such paragraph (as determined in the Single Life Table in Q&A-1 of Regulation section 1.401(a)(9)-9). If distributions are made to a surviving spouse as the sole designated beneficiary, such spouse's remaining life expectancy for a year is the number in the Single Life Table corresponding to such spouse's age in that year. In all other cases, remaining life expectancy for a year is the number in the Single Life Table corresponding to the beneficiary's age in the year specified in paragraph B (i) or (ii) and reduced by 1 for each subsequent year.

C. The "value" of the account includes the amount of any outstanding rollover, transfer and recharacterization under Q&As-7 and - 8 of Regulations section 1.408-8.

D. If the Participant's surviving spouse is the designated beneficiary, such spouse may elect to treat the IRA as his or her own IRA. This election will be deemed to have been made if such surviving spouse makes a contribution to the IRA or fails to take required distributions as a beneficiary.

Section 2.

No amount is required to be distributed prior to the death of the individual for whose benefit the account was originally established.

Article VI.

Section 1.

The Participant agrees to provide the Custodian with all information necessary to prepare any reports required by sections 408(i) and 408A (d)(3)(E), Regulations 1.408-5 and 1.408-6, or other guidance published by the Internal Revenue Service ("IRS").

Section 2.

The Custodian agrees to submit to the IRS and Participant the reports prescribed by the IRS.

Article VII.

Notwithstanding any other articles which may be added or incorporated, the provisions of Articles I through IV of Part B and this sentence will be controlling. Any additional articles inconsistent with section 405A, the related regulations, and other published guidance will be invalid.

Article VIII.

This Agreement will be amended as necessary to comply with the provisions of the Code, the related regulations, and other published guidance. Other amendments may be made with the consent of the Participant and the Custodian.

PART C (Applicable to Traditional and Roth IRA's)

Article I. Investments

Section 1. Participant to Control Investments

The Participant shall have and exercise exclusive responsibility for and control over the investment of the assets in the Participant's Custodial Account, including, but not limited to, the investment of funds awaiting security investment and of funds held pending distribution. The Custodian shall not have any duty, obligation or responsibility to question the Participant's direction or lack of direction in that regard, or to advise the Participant regarding purchase, retention, sale or other means of investment of such assets. The Custodian does not assume to render and it shall not have any duty, obligation or responsibility for rendering advice as to the investment of the Participant's Custodial Account and shall not be liable for any loss which results from a Participant's exercise of or failure to exercise responsibility for or control over the Participant's Custodial Account. The Participant understands and acknowledges that the Custodian cannot take investment action unless and until directed to do so by the Participant, and that the Participant's Custodial Account or portions thereof may go uninvested because the Participant failed to give the Custodian investment directions.

Section 2. Permitted Investments

Subject to the limitations of the Code and the provisions hereof, the Participant's Custodial Account will be invested into an interest-bearing FDIC-insured money market account through Reserve Management Corporation ("Reserve"), at an insured depository institution ("Bank").

Article II. Distributions

Section 1. Form of Distributions

Distributions will be made in accordance with the Custodian's established policies. If the Participant requests a cash distribution and there is not sufficient cash in the Custodial Account to accommodate the request, the Participant must direct the Custodian which assets in the Participant's Custodial Account should be sold to enable the requested cash distribution to be made. Distributions of assets in kind (e.g., distributions of stock or mutual fund shares) may generally be made only once each calendar year, depending on the nature of the physical asset, distribution in kind may not be possible, or may only be available at specified times.

Section 2. Designation of Beneficiary

If the Participant wishes to designate one or more persons (including the Participant's estate or trust) to receive the balance in the Participant's Custodial Account in the event of the Participant's death, the Participant must complete and give the Custodian a Designation of Beneficiary Form. A Participant may change or revoke a designation by completing and giving the Custodian a new Designation of Beneficiary Form. Blank Designation of Beneficiary

Forms may be obtained from the Custodian. A designation will not be effective hereunder until completed by the Participant and received by the Custodian. A completed Designation of Beneficiary Form received by the Custodian after the Participant's death will govern distributions to be made after its receipt by the Custodian. Any portion of the Participant's Custodial Account that cannot be distributed pursuant to a Designation of Beneficiary Form (e.g., because no form was ever completed and given to the Custodian, or none of the Beneficiaries designated on the last form completed and given to the Custodian survived the Participant) will be distributed by the Custodian in a lump sum to the Participant's surviving spouse, or if there is no spouse living at the time of the Participant's death, to the Participant's estate.

Article III. Powers, Authority and Duties of Custodian

Section 1. Powers and Authority of Custodian

In addition to the powers and authorities granted the Custodian elsewhere herein, the Custodian shall have the following powers and authorities in the administration of the Participant's Custodial Account.

- A. Pursuant to the Participant's directions, to invest and reinvest the assets of a Custodial Account without any duty to diversify and without regard to whether such investment is authorized by the laws of any jurisdiction for trust investment.
- B. Pursuant to the Participant's directions, to exercise or sell options, conversion privileges, or rights to subscribe for additional securities, and to make payments therefore.
- C. Pursuant to the Participant's directions, to consent to or participate in dissolutions, reorganizations, consolidations, mergers, sales, leases, mortgages, transfers or other changes affecting securities held by the Custodian.
- D. Pursuant to the Participant's direction, to grant options to purchase securities held by the Custodian or to repurchase options previously granted with respect to securities held by the Custodian.
- E. To hold any securities in the name of the Custodian without qualification or description or in the name of any nominee.
- F. To make, execute and deliver as Custodian any and all contracts, waivers, releases or other instruments, in writing, and to take such other actions as are necessary or proper for the exercise of any of the foregoing powers or to carry out its duties or responsibilities under the Agreement.

Section 2. Duties of Custodian

The Custodian shall have only those duties specifically set forth in this Agreement.

- A. The Custodian shall deliver to each Participant all notices, prospectuses, financial statements, proxies, and proxy solicitation material relating to the securities in the Participant's Custodial Account. The Custodian shall not vote any shares held hereunder except in accordance with the written instructions of the Participant.
- B. The Participant agrees to provide the Custodian with information necessary for the Custodian to prepare any reports required under Section 408(I) of the Code and Regulations Sections 1.408-5 and 1.408-6. The Custodian shall keep accurate and detailed records of all contributions, receipts, investments, distributions, disbursements, and other transactions in respect of the Participant's Custodial Account. The Custodian shall furnish annual calendar-year reports concerning the status of the account and such information concerning required minimum distributions as is prescribed by the Commissioner of Internal Revenue. The Custodian will

submit reports to the Internal Revenue Service and the Participant as prescribed by the Code and related regulations and the Internal Revenue Service. If the Participant does not give the Custodian written objections to any such report within sixty days after the date of such report, the Participant shall be deemed to have approved such report and the matters set forth therein. With respect to the Participant's Custodial Account, the Custodian shall have the right at any time to apply to a court of competent jurisdiction for judicial settlement of its accounts or for determination of any questions of construction which may arise or for instructions. The only necessary party defendant to such action shall be the Participant, but the Custodian may bring in other parties if it so elects. The cost, including attorneys' fees of any such accounting shall be charged to the Custodial Account as an administration expense under Article VI of this Agreement.

In carrying out and performing its duties as Custodian of the Participant's Custodial Account, the Custodian shall be fully protected in and shall not incur any liability for acting upon any instrument, certificate, notice designation, document, form or paper believed by it to be genuine. The Custodian shall not have any duty, obligation or responsibility to make any investigation or inquiry as to any statement contained in any such writing or as to the genuineness of any signature thereto, or as to the validity of any date thereon, but may accept the same as conclusive evidence of the truth and accuracy of the statements, genuineness of signature and validity of dates therein contained.

Article IV. Resignation or Removal of Custodian

The Custodian may resign as custodian of the Participant's Custodial Account at any time by giving written notice thereof to the participant. The Custodian's resignation will be effective as of the thirty-first day after the date of such notice. Upon the effective date of the resignation of H&R Block Financial Advisors, Inc. as the Custodian, H&R Block Bank, or such other FDIC-insured institution selected by H&R Block Financial Advisors, immediately shall become the new Custodian, and the Participant's Custodial Account promptly shall be transferred to H&R Block Bank without any action by the Participant. The new Custodian shall become obligated for any and all obligations of the Custodian under the terms of this Agreement.

Should H&R Block Financial Advisors, Inc. resign as Custodian as set forth in the foregoing paragraph, the Participant may transfer the Participant's Custodial Account by removing the new Custodian without the payment of a termination fee or charge to the new Custodian, notwithstanding the termination fee stated in Article VI of this Agreement, if such transfer occurs within 90 days from the date that the Participant is notified of the resignation of the Custodian.

The Participant may remove the Custodian as custodian of the Participant's Custodial Account by giving written notice thereof to the Custodian. The Participant shall remove the Custodian as custodian of the Participant's Custodial Account by giving written notice thereof to the Custodian if the Participant receives notification by the Commissioner of the Internal Revenue Service that substitution of custodians is necessary because the Custodian has failed to comply with Section 1.408-2(e) of the Treasury Regulations or is not keeping such records, or making such returns, or rendering such statements as are required by forms or Treasury Regulations.

Upon such resignation or removal, the Participant shall appoint a qualified successor trustee or custodian. Upon receipt by the Custodian of written acceptance of such appointment by the successor trustee or custodian, the Custodian shall transfer and pay over to such successor the assets of the Custodial Account and copies of all its records pertaining thereto. Notwithstanding any provision of this Agreement, the Custodian is authorized to reserve

and retain from the assets of the Custodial Account such sum of money and other assets as it deems advisable for payment of all its fees, compensation, costs and expenses, or for payment of any other liabilities constituting a charge against the assets of the Custodial Account or against the Custodian, and to sell such assets to cover the fees, compensation, costs, expenses and other payments due the Custodian; any balance of such reserve remaining after the payment of all such items shall be paid over to the successor trustee or custodian.

It shall be a condition of the removal of the Custodian that the Participant shall have appointed a qualified successor trustee or custodian. In the event of the resignation or removal of the Custodian and the Participant's failure to appoint a qualified successor, the Custodian may distribute the balance of the Custodial Account, exclusive of any assets reserved by the Custodian in accordance herewith, to the Participant, or the Custodian may apply to a court of competent jurisdiction for the appointment of such successor and the costs of such a proceeding shall be treated as an expense under Article V of this Agreement.

The provisions of this Section relating to the Custodian's rights to reserve and retain from the assets of the Participant's Custodial Account funds and other assets and to sell such assets shall survive termination of this Agreement and the Participant's Custodial Account.

Article V. Custodian's Fees and Expenses

In consideration of the Custodian's services under this Agreement, the Participant shall pay the Custodian the fees specified on the current fee schedule of the Custodian, which the Custodian may change from time to time. The Participant shall also pay the Custodian a fee of \$25 upon termination of a Custodial Account, and reasonable fees for any services performed by the Custodian not contemplated by any such fee schedule, and either deemed by the Custodian to be necessary or desirable, or requested by the Participant.

Any income, gift, estate and inheritance taxes and other taxes of any kind whatsoever, including transfer taxes incurred in connection with the investment or reinvestment of the assets of the Participant's Custodial Account, that may be levied or assessed in respect to such assets, and all other administrative expenses incurred by the Custodian in the performance of its duties including fees for legal services rendered to it, shall be charged to the Custodial Account.

If the Participant does not pay all such fees, taxes and other administrative expenses charged or chargeable to the Participant's Custodial Account upon demand therefore by the Custodian, the Custodian may deduct from the Participant's Custodial Account cash and other assets in an amount sufficient to cover all such unpaid fees, taxes and other administrative expenses. Notwithstanding any other provision in this Agreement, if the cash in the Participant's Custodial Account is not sufficient to pay all such unpaid fees, taxes and expenses, the Custodian may sell assets in the Custodial Account to cover such amounts. If the assets in the Participant's Custodial Account are not sufficient to pay all such unpaid fees, taxes and expenses, the Participant shall owe, be responsible and pay the Custodian any deficiency. The provisions of this Section shall survive the termination of this Agreement and the Participant's Custodial Account.

Article VI. Definitions

Section 1. Adoption Agreement

The agreement incorporating the terms hereof and executed by the Custodian and by or on behalf of an individual to create an individual retirement account hereunder.

Section 2. Beneficiary

The person or persons designated by the Participant to receive the balance in the Participant's Custodial Account in the event of the

Participant's death.

Section 3. Benefits

A Participant's or Beneficiary's share of the balance of the Participant's Custodial Account.

Section 4. Code

The Internal Revenue Code of 1986, as amended from time to time.

Section 5. Compensation

Compensation means wages, salaries, professional fees, or other amounts derived from or received for personal service actually rendered (including, but not limited to commissions paid salesmen, compensation for services on the basis of a percentage of profits, commissions on insurance premiums, tips and bonuses) and includes earned income, as defined in Code Section 401(c)(2) (reduced by the deduction the self-employed individual takes for contributions made to a self-employed retirement plan). For purposes of this definition, Code Section 401(c)(2) shall be applied as if the term trade or business for purposes of Code Section 1402 included service described in (c)(6). Compensation also includes any amounts received as alimony or separate maintenance payments includable in the recipient's gross income under Code Section 71. Compensation does not include amounts derived from or received as earnings or profits from property (including, but not limited to, interest and dividends) or amounts not includable in gross income. Compensation also does not include any amount received as a pension or annuity or as deferred compensation. In the case of a married individual filing a joint return, the greater compensation of his or her spouse is treated as his or her own compensation, but only to the extent that such spouse's compensation is not being used for purposes of the spouse making a contribution to a Roth IRA or a deductible contribution to a non Roth IRA.

Section 6. Custodial Account

An individual retirement account established by or for a Participant pursuant to this Agreement.

Section 7. Participant

An individual who has executed the Adoption Agreement or on whose behalf the Adoption Agreement has been executed, to create an individual retirement account under this Agreement.

Section 8. Disabled

As used herein, "disabled" has the same meaning as in Code Section 72(m) (7). "Disability," as used herein, shall have the same meaning as disabled.

Article VII. Amendment and Termination

Section 1. Amendment

The Participant may not amend this Agreement.

The Custodian may amend this Agreement in any respect at any time, including retroactively, in order to conform this Custodial Account to pertinent provisions of the Code and other laws or successor provisions of law, or to obtain a government ruling that such requirements are met, to adopt a prototype or master form of agreement in substitution for this Agreement, or as it otherwise may deem advisable, provided the Custodian amends in the same manner all agreements comparable to this one, having the same Custodian, permitting comparable investments, and under which such power has been retained by it. All such amendments by the Custodian shall be communicated in writing to the Participant.

This Section shall not apply and shall not be construed to restrict the Custodian's right to substitute fee schedules in the manner provided by Article VI of this Agreement, and no such substitution shall be deemed to be an amendment of this Agreement.

Section 2. Termination

The Custodian shall terminate the Custodial Account if this Agreement is terminated. Termination of the Custodial Account shall be effected by distributing all assets thereof in a lump sum in cash or in kind to the Participant, subject to the Custodian's right to reserve and retain funds and other assets and sell assets as provided

in Articles IV and V of this Agreement. Termination shall relieve the Custodian of all further duties hereunder.

Article VIII. Miscellaneous

Section 1. Notices

Any notice given by the Custodian with respect to this Agreement shall be effective if sent by first class mail to the person to whom it is directed at that person's last address on the Custodian's records. Notices directed to the Custodian shall be effective when received by an authorized officer of the Custodian.

Section 2. Non-Alienability of Benefits

Neither the Participant nor his Beneficiary shall have the right or power to anticipate any part of the Custodial Account or to sell, assign, transfer, pledge or hypothecate any part thereof. The Custodial Account shall not be liable for the debts of the Participant or his Beneficiary or subject to any seizure, attachment, execution or other legal process in respect thereof. At no time shall it be possible for any part of the assets of the Custodial Account to be used for or diverted to purposes other than for the exclusive benefit of the Participant or the Participant's Beneficiary. The foregoing notwithstanding, the rights of the Participant and his Beneficiary are subject to the provisions of Articles V and VI hereof, and to the rights of any spouse or former spouse in the Custodial Account under a divorce or separation instrument pursuant to Code Section 408(d)(6).

Section 3. Governing Law

This Agreement shall be construed and administered in accordance with the laws of the State of Michigan and any relevant federal law, without regard to the community property laws of any state. This Agreement is intended to qualify under Section 408(a) of the Code as an individual retirement account and to entitle the Participant the retirement savings deduction under Section 219 of the Code, and if any provision hereof is subject to more than one interpretation or any term used herein is subject to more than one construction, such ambiguity shall be resolved in favor of that interpretation or construction which is consistent with that intent. However, the Custodian shall not be responsible or liable if such intentions are not achieved through use of this Agreement; the Participant should seek the advice and counsel of the Participant's attorney or tax advisor for any such assurances.

Section 4. Participant to Seek Own Legal Advice

The Participant should seek advice from the Participant's attorney or tax advisor regarding the legal and tax consequences (including but not limited to federal and state tax matters) of entering into this Agreement, contributing to the Custodial Account, and ordering the Custodian to make distributions from the Account. The Participant understands that the Custodian is prohibited by law from rendering such advice.

Section 5. Participant's Benefits

The Participant shall look solely to the assets of the Participant's Custodial Account for the payment of any Benefits to which the Participant is entitled.

Section 6. Headings

The headings and subtitles used herein are solely for convenience of the reader, and are to be ignored in the construction of this Agreement.

Section 7. Indemnification

The Participant shall at all times duly indemnify and save the Custodian harmless from any liability cost or expense which may arise under this Agreement in connection with the Participant's Custodial Account, except liability cost or expense arising from the negligence or willful misconduct of the Custodian. The provisions of this Section shall survive termination of the Participant's Custodial Account and this Agreement.

Section 8. Incorporation

The recitals to this Agreement are, by this reference, incorporated in the agreement of the Participant and Custodian.



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

THE SAVINGS AND
INVESTMENT ACT OF 1982
Plan Form 5213-000-001 (Rev. 11-1982)
Form 5213-000-001 (Rev. 11-1982)
Letter Form 5213-000

THE SAVINGS AND INVESTMENT ACT OF 1982
FORM 5213-000-001
REV. 11-1982

INTERNAL REVENUE SERVICE
WASHINGTON, DC 20224
ATTENTION: DIRECTOR
1500 PENNSYLVANIA AVENUE
WASHINGTON, DC 20546
PHONE: 202/344-3000

Dear Applicant:

In our opinion, the form of the prototype trust, investment account or annuity contract identified above is acceptable under section 408 of the Internal Revenue Code, as amended through the Tax Reform Act of 1982.

Each individual who adopts the approved prototype will be considered to have satisfied a requirement of the regulations of this section 408 of a plan that satisfies the requirements of this section 408, provided the individual satisfies all other conditions of the regulations of this section 408. Before the terms of the approved prototype become applicable to the form of the contract, trust or annuity, the individual must be notified in writing of the terms of the plan and the requirements of section 408 of the Internal Revenue Code, as amended through the Tax Reform Act of 1982.

The trustee, custodian or issuer of a contract, annuity or investment account must provide to each participant in the program as specified in the regulations, Publication 590, Individual Retirement Arrangements (IRA), general information about the terms to be disclosed. The trustee, custodian or issuer of a contract, annuity or investment account adopting individual with annual reports of all transactions related to the plan.

The Internal Revenue Service has not evaluated the merits of this plan and does not guarantee contributions or investments made under the plan. Furthermore, this letter does not express any opinion as to the applicability of this section 4975, regarding prohibited transactions.

Your program may have to be amended to include or revise provisions to comply with Section 408(a) of the Internal Revenue Code.

If you have any questions concerning IRS processing of this case, call us at the above indicated number. Please refer to the plan number shown above in the heading of this letter. Please provide your name and the prototype and your telephone number, and advise when to contact your office if you have any questions about the revision of this plan. Please provide a copy of this letter to each adopting participant.

You should keep this letter as a permanent record. Please notify us if you terminate the form of the prototype plan.

Paul F. Shultz
Director

Department of the Treasury
Internal Revenue Service
1111 Constitution Avenue N.W.
Washington, DC 20224-0000

In reply to 50019413
June 11, 1984 LTR 1233C
38-1961943P Y
01002

OLDE & Co. Incorporated
725 Grandview Street
Doraville, GA 30095
District Office Code and
Case Serial Number 38-1961943P
Plan Number 001
File Number 501521300

Dear Applicant:

In our opinion the form of the prototype trust investment account or annuity contract identified above is acceptable under section 408 of the Internal Revenue Code.

Adopters of this approved plan will be considered to have a retirement savings program that satisfies the requirements of section 408 provided they follow the terms of the program and do not engage in certain transactions specified in Code 408 (e). Please provide a copy of this letter to each person affected.

The Internal Revenue Service has not evaluated the merits of this savings program and does not guarantee contributions or investments made under the savings program.

Section 408 (b) of the Code and related regulations require that you provide a disclosure statement to each participant in this program as specified in the regulations. Publication 590 Tax Information on Individual Retirement Arrangements gives information about the items to be disclosed.

The trustee or issuer of a contract is also required to provide to each adopting individual annual reports of savings program transactions.

Your program may have to be amended to include or revise provisions to meet the requirements of regulations promulgated after the date of this opinion letter. This letter does not express an opinion as to the applicability of Code section 4975 regarding prohibited transactions.

This letter does not express an opinion as to whether the plan complies with any requirements of the Tax Equity and Fiscal Responsibility Act of 1982 which became applicable to plans after 1982.

If you have any questions concerning IRS processing of this case and want to call us at 202-344-3000, please refer to the plan number shown in the heading of this letter and the File Number shown in the heading of this letter. Please advise those adopting this plan to contact you if they have any questions about its operation.

You should keep this letter as a permanent record. Please notify us if you terminate the form of plan.

Sincerely yours,
Alan Ryzin
Alan Ryzin
Chief Ratings & Qualification Br.

Internal Revenue Service Department of the Treasury

Plan Form: IRA Contract Account
Form 5213-000-001 Case 807897 File 38-1961943
Letter Serial No: 0100020

Washington, DC 20224
Person to Contact: Mr. Seaver
Telephone Number: (202) 344-3000
Refer Reply to: OF-EEP-90022
Date: 06/08/84

OLDE & Co. Incorporated
725 Grandview Street
Doraville, GA 30095

Dear Applicant:

In our opinion, the attachment to the form of the prototype trust, investment account or annuity contract identified above does not adversely affect its acceptability under section 408 of the Internal Revenue Code.

Each individual who adopts the approved plan will be considered to have a retirement savings program that satisfies the requirements of Code section 408, provided they follow the terms of the program and do not engage in certain transactions specified in Code section 408(e). Please provide a copy of this letter to each person affected.

The Internal Revenue Service has not evaluated the merits of this savings program and does not guarantee contributions or investments made under the savings program. Furthermore, this letter does not express any opinion as to the applicability of Code section 4975, regarding prohibited transactions.

Code section 408(b) and related regulations require that the trustee, custodian or issuer of a contract provide a disclosure statement to each participant in this program as specified in the regulations. Publication 590, Tax Information on Individual Retirement Arrangements, gives information about the items to be disclosed.

The trustee, custodian or issuer of a contract is also required to provide each adopting individual with annual reports of savings program transactions.

Your program may have to be amended to include or revise provisions in order to comply with future changes in the law or regulations.

If you have any questions concerning IRS processing of this case, call us at the above indicated number. Please refer to the Letter Serial Number and File Number shown above in the heading of this letter. Please provide those adopting this plan with your name, address and when to contact your office if they have any questions about the operation of this plan.

You should keep this letter as a permanent record. Please notify us if you terminate the form of the plan.

Sincerely yours,
John Seaver
John Seaver
Chief, Employee Plans
Ratings & Qualification Branch

Express IRA Privacy Policy

H&R Block Financial Advisors, Inc. ("we") is one of the H&R Block family of companies dedicated to being your tax and financial partner. As such, we understand the importance of safeguarding your personal information.

How we protect your personal information

We restrict access to information about you to those employees who need to know the information to provide products or services to you. We maintain physical, electronic and procedural safeguards to protect your personal information.

How you can help protect your personal information

You should not share your account information or passwords with others. We encourage you to notify us promptly if you suspect the confidentiality of your personal information has been compromised or if you believe your personal information needs to be corrected or updated.

Our Privacy Policy recognizes the trust you have placed in us. We are committed to preserving that trust and we will work hard to safeguard the confidentiality of your personal information. Of course, we reserve the right to modify this policy to reflect any changes or enhancements that we make to those protections. If we do make modifications, we will let you know promptly.

How and why we collect personal information

You provide personal information to us so that we may help you try to meet your financial goals. Such information allows us to process your requests and transactions, keep you apprised of products and services that may be of interest to you and enhance customer service by better understanding your needs.

This information may include:

- Information you provide to us on applications or other forms (such as name, address, social security number, assets and income).
- Information about your transactions with us, our affiliates or others.
- Information collected from your browser when you visit our websites and your browser interacts with them.
- Information we receive from consumer reporting agencies.

Sharing information within the H&R Block family of companies

In an effort to better serve your financial needs and to inform you about the products and services H&R Block offers, we may share personal information, such as the information described above, within our family of affiliated companies. (Our affiliates are companies that are controlled or owned by us or companies controlling or under common control with our parent company). For example, H&R Block Tax Services, Inc. offers a complete menu of tax services, while H&R Block Mortgage Corporation offers a full range of home mortgage products and services.

The Fair Credit Reporting Act allows you the opportunity to limit the sharing of "nonexperience" information within the H&R Block family. Such information includes information that is used, expected to be used or collected for the purpose of establishing your eligibility for consumer credit (e.g., margin privileges), insurance and related products and services, and is not related solely to your transactions or other communications with us. If you would prefer that we not share nonexperience information within the H&R Block family of companies, you may direct us not to share this information by calling us toll-free at 1-800-472-5625. This Privacy Policy and our practices are subject to change. As significant changes occur, we will update this policy, and we will let you know about them.

Sharing information outside the H&R Block family of companies

To facilitate our provision of financial products and services to you, we may retain nonaffiliated third-party service providers to perform certain functions on our behalf, or we may enter into joint marketing arrangements with nonaffiliated third parties. Such third party service providers and joint marketers may include financial companies and nonfinancial companies.

We may share your personal information as described above with such service providers or joint marketers. Such disclosures shall be subject to an appropriate, contractual confidentiality pledge, and solely for the purpose and only to the extent necessary to carry out the contractual purposes, or as otherwise permitted or required by law. We may also share your personal information as described above with certain other nonaffiliated third parties as permitted or required by law (such as in the ordinary course of business to process the transaction you have requested, due to operation of law or pursuant to a government or regulatory requirement).

Usage and Disclosure of Tax Return Information for Express IRA

Privacy protection is fundamental to the way H&R Block conducts business. We honor all applicable privacy regulations, and we further strive to operate our business in a manner that justifies your choice of H&R Block products and services.

The Express Individual Retirement Account (Express IRA) you have applied for is provided by H&R Block Financial Advisors, Inc. ("HRBFA"), a financial services company that is part of the H&R Block family. To evaluate and process your application, H&R Block must provide to HRBFA certain personal and financial information you have provided as part of your tax return preparation. Your application cannot be processed by HRBFA without this information. Your information will not be disclosed or used by H&R Block for any purposes other than those stated in this consent, other than as required or permitted by law.

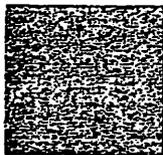
When you submit your application for an Express IRA, you will become a customer of HRBFA as well as a client of H&R Block. HRBFA will use information it obtains on your application and information disclosed under this consent in accordance with its privacy policy. The HRBFA privacy policy is disclosed to you in connection with the Express IRA custodial agreement that you sign as a companion to this consent.

Your signature below confirms your consent for H&R Block to provide tax return information to H&R Block Financial Advisors, Inc. You also acknowledge that you have read the H&R Block Privacy Policy provided by your H&R Block office, and the H&R Block Financial Advisors, Inc. privacy policy.

Client's signature Client Copy - No Signature Required Date _____

Spouse's signature Client Copy - No Signature Required Date _____
(If "Married Filing Jointly")

Investment services and securities products offered through H&R Block Financial Advisors, Inc., a registered broker-dealer and member NYSE, SIPC. H&R Block Financial Advisors, Inc. is a registered investment advisor. H&R Block, Inc. and H&R Block Services, Inc. are not registered broker/dealers or registered investment advisors.

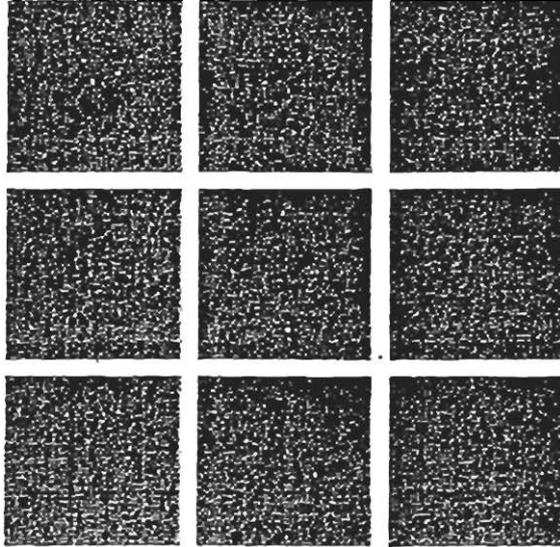


H&R BLOCK®

CONFIDENTIAL

HRR 02598

welcome to Express IRA



imagine the possibilities



H&R BLOCK®

CONFIDENTIAL

HRB 04165

benefits of an Express IRA

Congratulations on opening an Express IRA! You've chosen a smart way to save for your future. The keys to building enough wealth for your savings goals are to take advantage of the time value of money and tax benefits designed to help you save.

When you save your money in your Express IRA, you earn interest on your contributions, and then you earn interest on the interest! The effect of compounding interest is how you build up your savings.

Minimizing your taxes and saving the funds you need for a sound future is easier than you might think. And you've taken the first step by opening your Express IRA.

Investments in you Express IRA are:

- FDIC- Insured
- Earn competitive money moved rates
- Tax smart



CONFIDENTIAL

HRB 04166



H&R BLOCK

tax, mortgage and financial services

January 7, 2004

Joe Smith
123 Anytown
Any City, Any State 65421

Dear Joe Smith,

We hope you find this welcome package full of useful information regarding your new Express IRA.

Inside, you'll find information about our online services, frequently asked questions, a postage paid envelope with a deposit slip and more.

Our records indicate we have received the following information:

Account Number	Account Type	Contribution Amount	Contribution Year
123123123	Roth	\$500	2004

If you have questions about any of the information in this package, please feel free to call our Customer Service Organization at 1-800-HRBLOCK and select the financial services option. Be sure to reference the account number listed above.

Thank you for choosing Express IRA for your savings needs.

Sincerely,



Director of Express Programs

P.S. You can now enjoy the convenience of getting your quarterly Express IRA statements online instead of via U.S. Mail. Just go to hrblock.com/expressira or call 1-800-HRBLOCK and Web enable your account.

CONFIDENTIAL

HRB 04167

strategies to help you save

Get Creative! Helpful tips on how to save.

To cut down on some of your flexible expenses each month, get creative. Which one of these ideas could work for you?

Bring your lunch to work. Say you spend as little as \$5 a day buying your lunch — you could save \$1,300 a year!

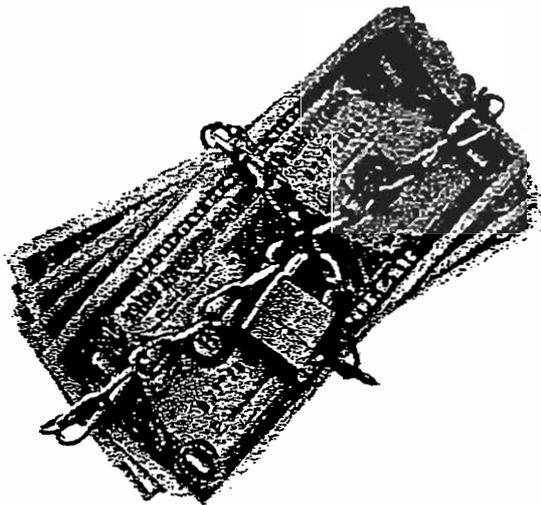
Make your own coffee. If you're paying \$1.75 on your way to work each day, that's about \$455 a year.

Rent a movie. A family of four will likely spend almost \$50 going out to the movies, but a rented film and snacks at home could cost as little as \$5. When you do go to the theater, attend a matinee for better prices.

Pick the right cell phone and long-distance plans. Overpaying as little as \$20 a month adds up to \$240 a year.

The H&R Block Advantage

We're here to provide you the most complete tax and financial advice. That is the H&R Block Advantage! With every Express IRA statement you receive, you'll also receive personalized, customized advice prepared just for you!



getting started

Take Control of your Financial Future

Taking control of your money and tracking expenses is key to developing a roadmap to your financial future. By keeping a personal budget, you can see which monthly expenses are:

Fixed – like your rent or car payment. The cost of fixed expenses cannot be altered from month to month.

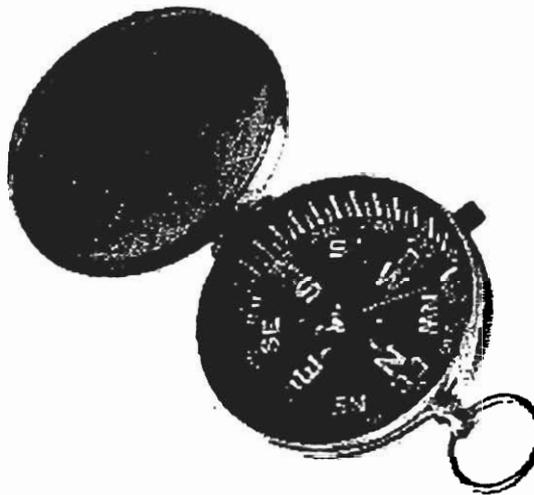
Flexible – like clothing and entertainment. You could voluntarily reduce flexible expenses each month to create more money leftover for savings.

How much should you save

A good benchmark is to save 15 percent of your take-home pay each month. You can do this by setting up a systematic investment plan. Just complete the form on the enclosed business reply envelope to get started.

It's easy and convenient and will enable you to save a little each month—without even thinking about it!

The important thing is to start saving now, with whatever percentage you can afford. Your long-term goal should be to increase the percentage of your income that goes to savings.



systematic investing

Get the most out of your new Express IRA

You've already taken a step toward saving for your future. But did you know that you can set up a systematic investing plan and save as little as \$25 per month? Your savings will grow tax deferred through automatic deposits. It's an ideal way to begin ensuring that your new Express IRA helps you reach your savings goals.

Save for you future with Systematic Investing

What will I accumulate in savings if I save a little every month?

Years to Save	Conservative: 2%				Moderate: 4%				Aggressive: 6%			
	\$25	\$50	\$100	\$250	\$25	\$50	\$100	\$250	\$25	\$50	\$100	\$250
45	\$21,803	\$43,606	\$87,211	\$219,029	\$37,863	\$75,725	\$151,450	\$378,625	\$132,743	\$265,485	\$530,970	\$1,327,426
40	\$18,391	\$36,783	\$73,566	\$183,915	\$32,648	\$65,295	\$130,590	\$326,475	\$117,857	\$235,714	\$471,428	\$1,178,570
35	\$15,214	\$30,428	\$60,856	\$152,140	\$22,919	\$45,839	\$91,678	\$225,794	\$87,729	\$175,459	\$350,918	\$877,294
30	\$12,339	\$24,677	\$49,355	\$123,387	\$17,409	\$34,818	\$69,636	\$174,091	\$67,507	\$135,015	\$270,030	\$675,074
25	\$9,777	\$19,554	\$39,107	\$97,367	\$12,896	\$25,792	\$51,584	\$128,961	\$52,834	\$105,668	\$211,337	\$528,342
20	\$7,382	\$14,764	\$29,528	\$73,822	\$9,200	\$18,400	\$36,800	\$92,000	\$36,824	\$73,647	\$147,295	\$368,237
15	\$5,252	\$10,503	\$21,006	\$52,516	\$6,173	\$12,346	\$24,691	\$61,728	\$24,709	\$49,417	\$98,835	\$247,086
10	\$3,324	\$6,647	\$13,294	\$33,235	\$3,694	\$7,387	\$14,774	\$36,935	\$14,804	\$29,608	\$59,217	\$148,041
5	\$1,579	\$3,158	\$6,315	\$15,788	\$1,663	\$3,326	\$6,652	\$16,630	\$6,849	\$13,698	\$27,397	\$68,492
3	\$928	\$1,857	\$3,713	\$9,283	\$958	\$1,915	\$3,831	\$9,577	\$1,020	\$2,040	\$4,081	\$10,201

savings goals

Retirement Savings

As a hard worker, you probably envision one day enjoying a simpler way of life. Investing in your Express IRA is a great way to build your retirement savings in order to sustain yourself and protect your quality of life during your retirement years.

It's important to keep in mind that:

- The average number of years spent in retirement is 16.
- Many people have to retire earlier than they anticipate due to health.
- Most people will need between 70 - 80% of their pre-retirement income to meet expenses during retirement. Social Security only pays about 40%.

Making regular and steady contributions to your Express IRA is one way to accumulate retirement savings over time.

Other Savings Goals

Although your IRA funds are intended for retirement, you may take distributions without penalty for:

- First time home purchase
- Qualified education expenses
- Qualified medical expenses
- Roth IRAs allow you to withdraw your contributions at any time, for any reason



eDocuments

Anytime Anywhere Access to your Express IRA

One of the benefits of having an Express IRA is convenience. Now, you can get your Express Statements online! All of the information you receive in your paper statements can be easily accessed at your convenience.

- You'll receive email notifications when your statement is ready for viewing
- You'll be able to download your statement to your computer for convenient record keeping

eDocuments is available today! Just go to www.hrblock.com/expressira to sign up.



privacy policy

H&R Block Financial Advisors, Inc. ("we") is one of the H&R Block family of companies dedicated to being your tax and financial partner. As such, we understand the importance of safeguarding your personal information.

How we protect your personal information

We restrict access to information about you to those employees who need to know the information to provide products or services to you. We maintain physical, electronic and procedural safeguards to protect your personal information.

How you can help protect your personal information

You should not share your account information or passwords with others. We encourage you to notify us promptly if you suspect the confidentiality of your personal information has been compromised or if you believe your personal information needs to be corrected or updated.

Our Privacy Policy recognizes the trust you have placed in us. We are committed to preserving that trust and we will work hard to safeguard the confidentiality of your personal information. Of course, we reserve the right to modify this policy to reflect any changes or enhancements that we make to those protections. If we do make modifications, we will let you know promptly.

How and why we collect personal information

You provide personal information to us so that we may help you try to meet your financial goals. Such information allows us to process your requests and transactions, keep you apprised of products and services that may be of interest to you and enhance customer service by better understanding your needs.

This information may include:

- Information you provide to us on applications or other forms (such as name, address, social security number, assets and income).
- Information about your transactions with us, our affiliates or others.
- Information collected from your browser when you visit our websites and your browser interacts with them.
- Information we receive from consumer reporting agencies.

Sharing information within the H&R Block family of companies

In an effort to better serve your financial needs and to inform you about the products and services H&R Block offers, we may share personal information, such as the information described above, within our family of affiliated companies. (Our affiliates are companies that are controlled or owned by us or companies controlling or under common control with our parent company). For example, H&R Block Tax Services, Inc. offers a complete menu of tax services, while H&R Block Mortgage Corporation offers a full range of home mortgage products and services.

The Fair Credit Reporting Act allows you the opportunity to limit the sharing of "nonexperience" information within the H&R Block family. Such information includes information that is used, expected to be used or collected for the purpose of establishing your eligibility for consumer credit (e.g., margin privileges), insurance and related products and services, and is not related solely to your transactions or other communications with us. If you would prefer that we not share nonexperience information within the H&R Block family of companies, you may direct us not to share this information by calling us toll-free at 1-800-472-5625. This Privacy Policy and our practices are subject to change. As significant changes occur, we will update this policy, and we will let you know about them.

Sharing information outside the H&R Block family of companies

To facilitate our provision of financial products and services to you, we may retain nonaffiliated third-party service providers to perform certain functions on our behalf, or we may enter into joint marketing arrangements with nonaffiliated third parties. Such third party service providers and joint marketers may include financial companies and nonfinancial companies.

We may share your personal information as described above with such service providers or joint marketers. Such disclosures shall be subject to an appropriate, contractual confidentiality pledge, and solely for the purpose and only to the extent necessary to carry out the contractual purposes, or as otherwise permitted or required by law. We may also share your personal information as described above with certain other nonaffiliated third parties as permitted or required by law (such as in the ordinary course of business to process the transaction you have requested, due to operation of law or pursuant to a government or regulatory requirement).

Express IRA fee schedule

*Account Opening	\$0.00
*Recontribution.....	\$0.00
**Annual Account Maintenance.....	\$10.00
Account Termination.....	\$25.00
Returned Check/ACH.....	\$20.00
Statement Duplicate Copy.....	\$3.00
Wire transfer out.....	\$25.00

*An Account may be charged a \$15 Account opening or \$15 Recontribution Fee if none of the following apply.

- Account owner qualifies and takes advantage of the saver's credit
- Account has minimum balance of \$2000
- Minimum monthly systematic investment of \$150 is established
- Account owner purchases a Refund Anticipation Loan

**An account is exempt from the account maintenance fee if there is a minimum systematic investment of \$25 per month established, or if the account balance is at least \$1,000.

Investment services and securities products offered through H&R Block Financial Advisors, Inc, member NYSE/SIPC. Tax services offered through subsidiaries of H&R Block Services, Inc. Mortgage services offered through H&R Block Mortgage, Inc. H&R Block, Inc., H&R Block Services, Inc. and H&R Block Mortgage, Inc. are not registered broker-dealers.

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HRB 04174

FAQ

Frequently Asked Questions

Question:

Will I be contacted by an H&R Block Financial Advisor?

Answer:

It is possible that an H&R Block Financial Advisor may contact you if your investments in your Express IRA reach a certain asset level.

Question:

What number do I call if I have questions about my Express IRA account?

Answer:

You can call 1-800-HRBLOCK and choose the financial services option. You will be able to use our automated system to check your account balance or you may talk with a customer services representative.

Question:

How do I make additional contributions to my Express IRA account?

Answer:

There are several ways to make additional contributions to your account:

- You can make a one time deposit by check. Use the enclosed postage paid envelope and completed the one time deposit portion.
- You can set up monthly systematic contributions to your Express IRA. A specific amount is withdrawn from your checking account on a monthly basis and contributed to your Express IRA. Use the enclosed postage paid envelope and complete the systematic investment deposit slip.
- You can transfer funds from an existing retirement account into your Express IRA, as long as any securities have been liquidated. This type of transfer is referred to as a trustee-to-trustee transfer. This is not a rollover, and because the distribution is not made directly to you, the transfer is tax free.
- You can make a "rollover contribution" to your Express IRA. Rollovers are generally tax-free distributions to you of cash or other assets from one retirement plan that you then contribute to another plan within 60 days. Typically these types of contributions come from other IRAs, existing employer-sponsored plans (401(k) plans), deferred compensation plans of state and local government (457 plans) or tax-sheltered annuities (403(b) plans).

Question:

Are there any fees if I withdraw the funds from my account and close it?

Answer:

There will be a \$25.00 fee applied against your account when you close it.

Question:

How can I sign up for eDocuments and receive my Express IRA statements online?

Answer:

Go to www.hrblock.com/expressira and enter a valid email address.

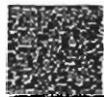
Question:

Where can I go to get additional deposit slips or forms?

Answer:

You may visit us online at www.hrblock.com/expressira or call 1-800-HRBLOCK and select Financial Services.

Joe Smith
123 Anytown
Any City, Any State 65421

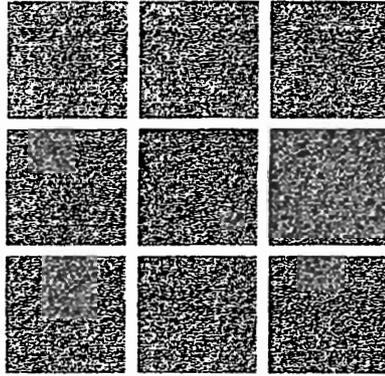


H&R BLOCK

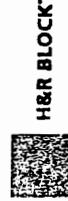
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HRB 04176

welcome to
Express IRA



imagine the possibilities



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HRB 04411

HRB 04411

strategies to help you save

Get Creative! Helpful tips on how to save

To cut down on some of your flexible expenses each month, get creative. Which one of these ideas could work for you?

Bring your lunch to work. Say you spend as little as \$5 a day buying your lunch — you could save \$1,300 a year!

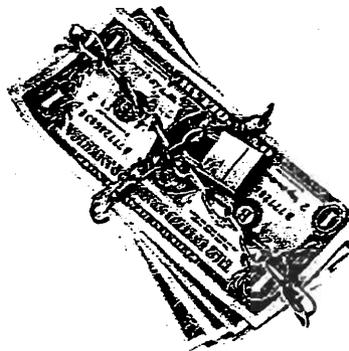
Make your own coffee. If you're paying \$1.75 on your way to work each day, that's about \$455 a year.

Rent a movie. A family of four will likely spend almost \$60 going out to the movies, but a rented film and snacks at home could cost as little as \$6. When you do go to the theater, attend a matinee for better prices.

Pick the right cell phone and long-distance plans. Overpaying as little as \$20 a month adds up to \$240 a year.

The H&R Block Advantage

We're here to provide you the most complete tax and financial advice. That is the H&R Block Advantage! With every Express IRA statement you receive, you'll also receive personalized, customized advice prepared just for you!



privacy policy

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How we protect your personal information
We restrict access to information about you to those employees who need to know the information to provide products or services to you. We maintain physical, electronic and procedural safeguards to protect your personal information.

How you can help protect your personal information
You should not share your account information or passwords with others. We encourage you to notify us promptly if you suspect the confidentiality of your personal information has been compromised or if you believe your personal information needs to be corrected or updated.

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How and why we collect personal information

You provide personal information to us so that we may help you by to meet your financial goals. Such information allows us to process your requests and transactions, keep you apprised of products and services that may be of interest to you and enhance customer service by better understanding your needs.

This information may include:

- Information you provide to us on applications or other forms (such as name, address, social security number, assets and income).
- Information about your transactions with us, our affiliates or others.
- Information collected from your browser when you visit our websites and your browser interacts with them.
- Information we receive from consumer reporting agencies.

Sharing information within the H&R Block family of companies
In an effort to better serve your financial needs and to inform you about the products and services H&R Block offers, we may share personal information such as the information described above, within our family of affiliated companies (Our affiliates are companies that are controlled or owned by us or companies controlling or under common control with our parent company). For example, H&R Block The Services, Inc. offers a complete menu of tax services, while H&R Block Mortgage Corporation offers a full range of home mortgage products and services.

The Fair Credit Reporting Act allows you the opportunity to limit the sharing of "nonexperience" information within the H&R Block family. Such information includes information that is used, expected to be used or collected for the purpose of establishing your eligibility for consumer credit (e.g., margin privileges), insurance and related products and services, and is not related solely to your transactions or other communications with us. If you would prefer that we not share nonexperience information within the H&R Block family of companies, you may direct us not to share this information by calling us toll free at 1-800-472-6828. This Privacy Policy and our practices are subject to change. As significant changes occur, we will update this policy, and we provide you with notification.

Sharing information outside the H&R Block family of companies

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We may share your personal information as described above with such service providers or joint marketers. Such disclosures shall be subject to an appropriate, contractual confidentiality pledge, and solely for the purpose and only to the extent necessary to carry out the contractual purposes, or as otherwise permitted or required by law. We may also share your personal information as described above with certain other nonaffiliated third parties as permitted or required by law (such as in the ordinary course of business to process the transaction you have requested, due to operation of law or pursuant to a government or regulatory requirement).

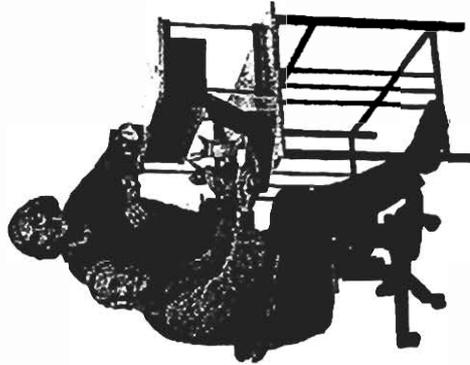
eDocuments

Anytime Anywhere Access to your Express IRA

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- You'll receive email notifications when your statement is ready for viewing
- You'll be able to download your statement to your computer for convenient record keeping

eDocuments is available today! Call our customer service organization at 1-800-HRBLOCK and select the financial services option. Ask to Web enable your account.



getting started

Take Control of your Financial Future

Taking control of your money and tracking expenses is key to developing a roadmap to your financial future. By keeping a personal budget, you can see which monthly expenses are:

- Fixed** - like your rent or car payment. The cost of fixed expenses cannot be altered from month to month.
- Flexible** - like clothing and entertainment. You could voluntarily reduce flexible expenses each month to create more money leftover for savings.

How much should you save

A good benchmark is to save 15 percent of your take-home pay each month. You can do this by setting up a systematic investment plan. Just complete the form on the enclosed business reply envelope to get started.

It's easy and convenient and will enable you to save a little each month—without even thinking about it!

The important thing is to start saving now, with whatever percentage you can afford. Your long-term goal should be to increase the percentage of your income that goes to savings.



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HRB 04413

HRB 04413

systematic investing

Get the most out of your new Express IRA

You've already taken a step toward saving for your future. But did you know that you can set up a systematic investing plan and save as little as \$25 per month? Your savings will grow tax deferred through automatic deposits. It's an ideal way to begin ensuring that your new Express IRA helps you reach your savings goals.

Save for you future with Systematic Investing

What will I accumulate in savings if I save a little every month?

Rate	Contribution: 2%										Model Rate: 4%									
	\$15	\$20	\$25	\$30	\$35	\$40	\$45	\$50	\$55	\$60	\$15	\$20	\$25	\$30	\$35	\$40	\$45	\$50	\$55	\$60
0%	\$1,199	\$1,200	\$1,201	\$1,202	\$1,203	\$1,204	\$1,205	\$1,206	\$1,207	\$1,208	\$1,209	\$1,210	\$1,211	\$1,212	\$1,213	\$1,214	\$1,215	\$1,216	\$1,217	\$1,218
5%	\$1,234	\$1,240	\$1,246	\$1,252	\$1,258	\$1,264	\$1,270	\$1,276	\$1,282	\$1,288	\$1,294	\$1,300	\$1,306	\$1,312	\$1,318	\$1,324	\$1,330	\$1,336	\$1,342	\$1,348
10%	\$1,269	\$1,276	\$1,283	\$1,290	\$1,297	\$1,304	\$1,311	\$1,318	\$1,325	\$1,332	\$1,339	\$1,346	\$1,353	\$1,360	\$1,367	\$1,374	\$1,381	\$1,388	\$1,395	\$1,402
15%	\$1,304	\$1,312	\$1,320	\$1,328	\$1,336	\$1,344	\$1,352	\$1,360	\$1,368	\$1,376	\$1,384	\$1,392	\$1,400	\$1,408	\$1,416	\$1,424	\$1,432	\$1,440	\$1,448	\$1,456
20%	\$1,339	\$1,348	\$1,357	\$1,366	\$1,375	\$1,384	\$1,393	\$1,402	\$1,411	\$1,420	\$1,429	\$1,438	\$1,447	\$1,456	\$1,465	\$1,474	\$1,483	\$1,492	\$1,501	\$1,510
25%	\$1,374	\$1,384	\$1,394	\$1,404	\$1,414	\$1,424	\$1,434	\$1,444	\$1,454	\$1,464	\$1,474	\$1,484	\$1,494	\$1,504	\$1,514	\$1,524	\$1,534	\$1,544	\$1,554	\$1,564
30%	\$1,409	\$1,420	\$1,431	\$1,442	\$1,453	\$1,464	\$1,475	\$1,486	\$1,497	\$1,508	\$1,519	\$1,530	\$1,541	\$1,552	\$1,563	\$1,574	\$1,585	\$1,596	\$1,607	\$1,618
35%	\$1,444	\$1,456	\$1,468	\$1,480	\$1,492	\$1,504	\$1,516	\$1,528	\$1,540	\$1,552	\$1,564	\$1,576	\$1,588	\$1,600	\$1,612	\$1,624	\$1,636	\$1,648	\$1,660	\$1,672
40%	\$1,479	\$1,492	\$1,505	\$1,518	\$1,531	\$1,544	\$1,557	\$1,570	\$1,583	\$1,596	\$1,609	\$1,622	\$1,635	\$1,648	\$1,661	\$1,674	\$1,687	\$1,700	\$1,713	\$1,726
45%	\$1,514	\$1,528	\$1,542	\$1,556	\$1,570	\$1,584	\$1,598	\$1,612	\$1,626	\$1,640	\$1,654	\$1,668	\$1,682	\$1,696	\$1,710	\$1,724	\$1,738	\$1,752	\$1,766	\$1,780
50%	\$1,549	\$1,564	\$1,579	\$1,594	\$1,609	\$1,624	\$1,639	\$1,654	\$1,669	\$1,684	\$1,699	\$1,714	\$1,729	\$1,744	\$1,759	\$1,774	\$1,789	\$1,804	\$1,819	\$1,834

For illustration purposes only. Does not guarantee results.

savings goals

Retirement Savings

As a hard worker, you probably envision one day enjoying a simpler way of life. Investing in your Express IRA is a great way to build your retirement savings in order to sustain yourself and protect your quality of life during your retirement years.

It's important to keep in mind that:

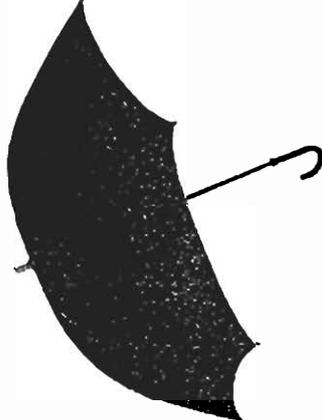
- The average number of years spent in retirement is 18.
- Many people have to retire earlier than they anticipate due to health.
- Most people will need between 70 - 80% of their pre-retirement income to meet expenses during retirement. Social Security only pays about 40%.

Making regular and steady contributions to your Express IRA is one way to accumulate retirement savings over time.

Other Savings Goals

Although your IRA funds are intended for retirement, you may take distributions without penalty for:

- First time home purchase
- Qualified education expenses
- Qualified medical expenses
- Roth IRAs allow you to withdraw your contributions at any time, for any reason



Express IRA fee schedule

*Account Opening/Recontribution	\$15.00
**Annual Account Maintenance.....	\$10.00
Account Termination.....	\$25.00
Returned Check/ACH.....	\$20.00
Statement Duplicate Copy.....	\$3.00
Wire transfer out.....	\$25.00

* Contributions by mail are not subject to the \$15.00 recontribution fee.

**An account is exempt from the account maintenance fee if there is a minimum systematic investment of \$25 per month established, or if the account balance is at least \$1,000.

Investment services and securities products offered through H&R Block Financial Advisors, Inc., member NYSE/SIPC. Tax services offered through subsidiaries of H&R Block Service, Inc. Mortgage services offered through H&R Block Mortgage, Inc. H&R Block, Inc., H&R Block Advisor, Inc. and H&R Block Mortgage, Inc. are not registered broker-dealers.

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HRB 04415

benefits of an Express IRA

H&R Block strives to be your tax and financial partner. One way we do this is by offering tax and financial products to help our clients achieve their financial goals. We understand your situation, and can help you make smart decisions about your financial future. That's the H&R Block Advantage.

Congratulations on opening an Express IRA! You've chosen a smart way to save for your future. The keys to building enough wealth for your savings goals are to take advantage of the time value of money and tax benefits designed to help you save.

When you save your money in your Express IRA, you earn interest on your contributions, and then you earn interest on the interest! The effect of compounding interest is how you build up your savings.

Minimizing your taxes and saving the funds you need for a sound future is easier than you might think. And you've taken the first step by opening your Express IRA.

Investments in your Express IRA are:

- FDIC-Insured
- Earn competitive money moved rates
- Tax smart



FAQ

Frequently Asked Questions

Question:

Will I be contacted by an H&R Block Financial Advisor?

Answer:

It is possible that an H&R Block Financial Advisor may contact you if you request to be contacted.

Question:

What number do I call if I have questions about my Express IRA account?

Answer:

You can call 1-800-HRBLOCK and choose the financial services option. You will be able to use our automated system to check your account balance or you may talk with a customer services representative.

Question:

How do I make additional contributions to my Express IRA?

Answer:

There are several ways to make additional contributions to your account:

- You can make a one time deposit by check. Use the enclosed postage paid envelope and complete the one time deposit portion.

- You can set up monthly systematic contributions to your Express IRA. A specific amount is withdrawn from your checking account on a monthly basis and contributed to your Express IRA. Use the enclosed postage paid envelope and complete the systematic investment deposit slip.

- You can transfer funds from an existing retirement account into your Express IRA, as long as any securities have been liquidated. This type of transfer is referred to as a trustee-to-trustee transfer. This is not a rollover, and because the distribution is not made directly to you, the transfer is tax free.

- You can make a "rollover contribution" to your Express IRA. Rollovers are generally tax-free distributions if done within 60 days from one retirement plan into another retirement plan. Typically these types of contributions come from other IRAs, existing employer-sponsored plans (401(k) plans), deferred compensation plans of state and local government (457 plans) or tax-sheltered annuities (403(b) plans).

Question:

Are there any fees if I withdraw the funds from my account and close it?

Answer:

There will be a \$25.00 fee applied against your account when you close it.

Question:

How can I sign up for eDocuments and receive my Express IRA statements online?

Answer:

Call our customer service organization at 1-800-HRBLOCK and select the financial services option. Ask to Web enable your account.

Question:

Where can I go to get additional deposit slips or forms?

Answer:

You may visit us online at www.hrblock.com/expressira or call 1-800-HRBLOCK and select Financial Services.



H&R BLOCK

tax, mortgage and financial services

3

Express Yourself!

*A new Express IRA Tax Professional incentive
program for tax season 2004*

Participation is voluntary and is not a guarantee of employment.

Questions may be directed to
expressprograms@hrblock.com

*H&R Block Company Confidential
Subject to revisions and changes. 5/12/2004*

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HRB 04670 A

Document Definitions:

Express Yourself!: Name of voluntary, new incentive program

Tax Professional: Associate who prepares taxes for H&R Block

TPS: Tax Preparation Software

Company: H&R Block Corporate Office

IRA: Individual Retirement Account

Express IRA: An Individual Retirement Account opened through H&R Block. H&R Block Financial Advisors, Inc. is the custodian for the account. Investments are made in an FDIC-insured money market account.

HRBFA: H&R Block Financial Advisors, Inc.

Program Description & Purpose

The "Express Yourself!" program is a one-time incentive program that rewards Tax Professionals for assisting clients with opening Express IRAs in the tax office. H&R Block will award tax pros who meet the qualifications and participate up to \$100.

The purpose of this program is to have Tax Professionals experience Express IRAs for themselves and gain familiarity with the product and the account opening process so that they feel confident and knowledgeable offering it to their clients. The program is designed to:

1. Incent Tax Professional to work through the screens to become more familiar with the account opening process and mechanics in Tax Preparation Software (TPS).
2. Help Tax Professionals become more familiar with the Express IRA product features and benefits by going through the client experience.

General Overview:**Express Yourself!**

A voluntary, new Express IRA Tax Professional incentive program for tax season 2004. There is no requirement to participate. Individuals who do not want to participate should contact their district manager.

How it works:

1. Open Express IRAs for yourself and clients before the deadline* and H&R Block will give you a reward of up to \$100. This program is voluntary. It does not, in any way, affect the existing Tax Professional compensation for Express IRAs. Company (H&R Block Corporate) Tax Professionals will still receive \$5.50 for every Express IRA funded.
2. For each Express IRA that you assist a client in opening, H&R Block will give you a cash award of up to \$25 per client account, and an option to use that award towards funding your very own Express IRA. (Maximum award is \$100).
3. As a Tax Professional, you will be able to open an Express IRA account with a \$0 amount in TPS. (The minimum deposit for clients remains \$300 or enrollment in a \$25 per month systematic deposit).
4. There are no administrative fees associated with participation in this program. Funds will be awarded after tax season 2004. You will receive a check for your award amount. If you choose to deposit the award amount into your Express IRA, you may do so by endorsing the check and returning it to H&R Block in a postage paid envelope that will be provided to you. You will receive a communication regarding your award amount.
5. If you choose not to fund an Express IRA by August 1, 2004, and you have a zero balance Express IRA opened as a result of this program, that account will be closed on August 1, 2004.

*Please see refer to Program Details.

Program Details

Applicable to Company and Franchise Associates

- All Associates preparing returns in TPS are eligible. Only Express IRAs opened in TPS will count toward eligibility requirements.
- No pre-enrollment is necessary.
- The Tax Professional award will be tiered according to the following schedule:

Account Owner	Award per XIRA	XIRAs Opened	Cumulative Award	Cumulative XIRAs Opened
Tax Professional	\$0	1	\$0	1
Client 1	\$25	1	\$25	2
Client 2	\$25	1	\$50	3
Client 3	\$25	1	\$75	4
Client 4	\$25	1	\$100	5

- The maximum award as a result of the Express Yourself! program is \$100.
- Tax Professionals who have an existing Express IRA are automatically qualified for the program.
- Tax Professionals who do not have an existing Express IRA must meet one of the following criteria:
 1. The Tax Professionals must open an account for a client by January 31st, 2004, or
 2. The Tax Professionals must open their own personal Express IRA (funded, or with \$0 amount) and electronically file their tax return by February 15th, 2004, or
 3. Complete a series of select practice exams in TPS. This process involves the office leader and district manager verifying that the Tax Professionals completed the practice Express IRA returns during TPS training. For specific details related to this option, visit the program addendum documents on Block Net. under the Express IRA section.
- A Tax Professional's existing Express IRA will count toward the requirement for them to open their own Express IRA.
- If a Tax Professional has an existing Express IRA, they must still open a client account or have an existing client account recontribute in order to receive funding.
- The order in which accounts are opened does not matter (Tax Professional first vs. client first) as long as the other qualifications are met.

- Tax Professionals that have clients with existing Express IRAs will have those accounts count toward their totals if: 1) the client makes a recontribution to the account, or 2) the client enrolls in or increases their ongoing monthly systematic deposit amount.

Installment Contributions:

This section applicable for Company Associates Only

- The contributions will be 'grossed-up' for tax withholding purposes so that the Tax Professionals will not incur any out-of-pocket tax liability since the awards are considered wages/taxable earnings.
- The awards given are in addition to the regular compensation for Express IRAs (\$5.50 per unit at the time of this writing).

This section applicable for Company and Franchise associates.

- The contributions made by H&R Block are to be made in two installments after tax seasons 2004 and 2005.
- To be eligible for the second installment, Tax Professionals must be employed by H&R Block or a franchise during the 2 year contribution period, i.e., successive tax seasons.
- Tax Professionals who choose to deposit their award amount in an Express IRA may have those contributions directed to either a new Roth IRA or Traditional IRA account or an existing account.
- Earnings will be reported on the company Tax Professional's W-2 forms as regular compensation.
- The contributions cannot be transferred to a relative or made in anyone else's name other than the Tax Professional that earned the award.
- As in prior tax seasons, Tax Professionals receive an employee discount of the \$15 set-up/recontribution fee and the \$10 annual maintenance fee.
- The client accounts that a Tax Professional opens must be funded by May 1st, 2004. Accounts rescinded or closed before May 1st will not qualify toward the number of funded accounts required to be eligible for the program.
- For tax purposes, Express IRAs funded as a part of this program will be directed prospectively toward the Tax Professional's 2004 or 2005 tax returns. Due to the timing of the Block contributions, they will not be allowed to be directed toward a 2003 tax return. If they choose, Tax Professionals may contribute additional funds that may be directed toward a 2003 tax return.
- Only Express IRAs qualify, referred clients that open an HRBFA account do not count toward the total. However, a client that opens an Express IRA first, then

subsequently upgrades it to an HRBFA account, will count toward a Tax Professional's total number of accounts.

- Franchise Tax Professionals that participate in the program must ensure they use unique Tax Professional IDs (for TPS) so that the results can be tracked accurately.

Frequently Asked Questions

1.	What if I already have an Express IRA?	If you have an existing Express IRA, you do not need to open another Express IRA to qualify for this program.
2.	How much can I earn?	If you open an account for yourself and for a client, H&R Block will send you a check for \$25 in which you may cash or deposit into your Express IRA. For each additional client account opened, you will receive \$25 for a maximum award of \$100.
3.	What if I'm not eligible to open an IRA (don't meet age, or income requirements)	Since H&R Block will send you a check for your award amount, you may choose to cash your check instead of having it deposited in your Express IRA. The choice is yours.
4.	Can I direct the contributions to my calendar year 2003 tax return?	No. The timing of the account contributions will dictate that they are for either calendar year 2004 or 2005.
5.	What type of Express IRA can I open?	You may open either a Roth or traditional Express IRA.
6.	Can I have the award go to my spouse or a relative?	No. Only Tax Professionals may receive the award.
7.	Can I have the award directed toward my HRBFA brokerage account?	Yes. Since you will receive the award in payment of a check, you may direct it to your HRBFA account.
8.	Will my client referrals that opened an HRBFA account count toward the	No. The accounts opened must be Express IRAs. If the account was originally opened as an Express IRA and then client subsequently upgraded it to an HRBFA account, it will count

	number of accounts I need to get the \$100?	toward the total.
9.	When will I receive my award?	You will receive your award check in late May or early June of 2004 for the first installment. The second installment will happen in late May or early June of 2005.
10.	Can I withdraw the funds once they are in my account?	Yes. The funds are 100% yours.
11.	Will I be charged the \$15 Express IRA set up fee or the \$10 annual maintenance fee?	No. These fees are waived for H&R Block employee accounts and Franchise Tax Professionals participating in this program.
12.	How do I get the money?	We will send you a check for your award amount. You may either cash it or deposit it into your Express IRA.
13.	As a franchise Tax Professional, am I eligible too?	Yes, franchise Tax Professionals are eligible to participate in the program.
14.	How do the two installment payments work?	You will receive one-half of the award (\$12.50, \$25, \$37.50 or \$50) sometime in late May or early June 2004. You will receive the second-half of the award approx. one year later, sometime in late May or early June 2005. As such, you must remain employed by H&R Block or a franchise during both tax seasons.
15.	Do I have to open my own account is TPS?	Yes. In order to qualify, you must either open your own account in TPS or must already have an Express IRA in your name.
16.	Can I open my Express IRA with the manual account opening kit that is new this year?	Yes. Please ask your District Manager about these manual instructions.
17.	Will Express IRAs that I opened for clients in prior years count towards the number I need to	Possibly, Clients with an existing account that re-contribute or increase their monthly systematic deposit will count towards your total number of accounts for this program.

	qualify for the \$100 award?	
18.	Will I still receive the regular compensation for each Express IRA I open?	Yes. Company Tax Professionals will still receive the standard compensation (\$5.50) for each Express IRA that you open. However, you will not receive the compensation for your personal account. Franchise Tax Professional compensation is determined by the Franchise owner.
19.	How does the deadline work?	In order to meet the deadline to qualify for an award, any Tax Professional that does not already have an Express IRA must fulfill one of the following requirements: <ol style="list-style-type: none"> 1. The Tax Professional must open an account for a client by <u>January 31st, 2004</u>, or 2. The Tax Professional must open their own personal express IRA (with a \$0 amount) and electronically file their tax return by <u>February 15th, 2004</u>.
20.	Do I have to pre-enroll for this?	No.
21.	Do I have to contribute any funds to the account?	No. However, Express IRAs that are unfunded as of August 1, 2004 will be closed on August 1, 2004.
22.	Will this program be offered every year?	Currently, this offer is scheduled for this tax season only; take advantage of it while you can! Results will be studied afterward and a decision will be made whether or not to extend it.
23.	What if I do not open one for myself but I do 5 for my clients?	In order to qualify for any of the awards, you must open an Express IRA for yourself in TPS.
24.	Are franchise Tax Professionals eligible?	Yes.
26.	If the award is compensation to me, will I owe taxes?	Yes, the award will be considered taxable income to you.

RESERVE INSURED DEPOSITS AGREEMENT

This Reserve Insured Deposits Agreement ("Agreement") is entered into as of this 26th day of June, 2001, by and between RESERVE MANAGEMENT CORP., a New Jersey corporation, with its principal office at 1250 Broadway, New York, New York, 10001-3701 ("RMC"), and H&R BLOCK FINANCIAL ADVISORS, INC., with its principal place office at 751 Griswold, Detroit, MI 48226 (the "HRBFA").

WHEREAS, RMC is a registered deposit broker with the FDIC and is the Authorized Agent for Reserve Insured Deposits.

WHEREAS, HRBFA is a brokerage firm properly established and in good standing pursuant to the applicable rules and regulations.

WHEREAS, RMC desires to retain HRBFA to market the Reserve Insured Deposits Account and HRBFA is willing to perform the services hereunder.

NOW THEREFORE, in consideration of the mutual terms and conditions set forth below and for other good and valuable consideration, the parties agree as follows:

As used in this Agreement, the following terms shall have the following meanings, unless a different meaning is clearly required by the context:

"Insured Deposits" shall mean the Reserve Insured Deposits Account.

"Terms and Conditions" shall mean the Terms and Conditions of the Insured Deposits as set forth in Exhibit A, as amended from time to time upon written notice to HRBFA.

1. **Non-exclusive Appointment:** HRBFA is aware that RMC has filed a patent application with the United States Patent and Trademark Office for the product and various related processes described herein. HRBFA and RMC acknowledge that the relationship described in this Agreement is not exclusive. HRBFA is hereby appointed by RMC as a non-exclusive agent for the sale of the Insured Deposits in those states and jurisdictions of the United States in which HRBFA and the Insured Deposits are qualified for sale. HRBFA may make Insured Deposits available through HRBFA affiliates with which HRBFA has a clearing agreement upon written notice to RMC.

HRBFA further acknowledges that nothing in this Agreement shall be construed to have the effect of granting a license. HRBFA agrees that the use of RMC's proprietary technology shall only be in accordance with the intended purpose(s) contemplated by this Agreement, except as otherwise expressly provided.

2. **Establishment of Accounts and Authorized Deposits:** HRBFA agrees to use its best efforts to solicit qualified Client-investors for Insured Deposits. HRBFA will be solely responsible for ensuring compliance with the various regulations governing the solicitation of qualified Client-investors for the Insured Deposits of each jurisdiction where they do so. Further, HRBFA shall be solely responsible for determining suitability and obtaining any necessary documentation required in connection with the qualified Client-investors. HRBFA certifies that the Client-investors of each account for which they give instructions or registration thereof have authorized HRBFA to do so, and that HRBFA will bear responsibility to and for the Client-investors of each account in lieu of

furnishing RMC with such specific evidence of such authority or with specific authorized information in connection with each such qualified account. HRBFA also acknowledges that it will be required to furnish copies of such authorization and or copies of required account documentation if requested by RMC. Any liability or costs resulting from HRBFA's failure to obtain or provide the necessary account documentation will be borne by HRBFA. Client-investors shall make authorized deposits into Insured Deposits only under terms as specified in the Terms and Conditions. HRBFA agrees to provide prospective Client-investors with the Terms and Conditions. HRBFA represents that the Insured Deposits will be offered and sold in accordance with the terms and conditions of this Agreement, its Terms and Conditions and all applicable laws, rules and regulations.

HRBFA agrees not to make any representations about Insured Deposits not included in said Terms and Conditions or in any authorized supplemental materials supplied or authorized by RMC. HRBFA agrees that it will comply in a timely fashion with all operational requests made by RMC including but not limited to, routine shareholder record maintenance, implementation of small balance fees, etceteras.

3. **Indemnification:** HRBFA agrees to hold RMC its affiliates, officers, directors and employees harmless and to indemnify RMC in the event that HRBFA, or any of its representatives, affiliates, employees or agents should violate any law, rule or regulation, or provisions of this Agreement, which may result in any loss or liability or claim (including costs of investigation and reasonable attorney and court fees) to RMC. RMC agrees to indemnify and hold harmless HRBFA and HRBFA's affiliates, officers, directors and employees from and against any and all losses, liabilities, claims and costs (including costs of investigation, reasonable attorneys and court fees) resulting from RMC's violation of any law, rule or regulation, or failure to fulfill its obligations hereunder or from any alleged inaccuracy, omission or misrepresentation contained in the Terms and Conditions, any printed material issued by RMC, any information supplemental to Terms and Conditions, or any advertising or sales materials prepared by RMC.

4. **Relationship:** HRBFA shall act in a fiduciary capacity with respect to Client-investors and HRBFA shall not have any authority to act as agent of, RMC or any affiliate of RMC (including, but not limited to, Resrv Partners, Inc., Reserve Management Company, Inc. ("RMCI") and any mutual fund managed by RMCI (such affiliates being "RMC Affiliates"). HRBFA and its employees are not authorized to make any representation concerning the Insured Deposits, RMC, or RMC Affiliates except those contained in the Terms and Conditions, any authorized supplemental materials supplied of authorized by RMC, or otherwise provided herein.

5. **Payment:** During the term of this Agreement, HRBFA shall receive from RMC payment with respect to all accounts accepted by RMC in which the executed account application form on file with RMC is marked or designated to show that it was provided to the Client-investor by HRBFA (each such marked account being a "HRBFA Account").

Any payments and/or administrative service fees pursuant to this Agreement shall be paid at the end of the month. Payment shall be based on the net asset value of Insured Deposits, which are held in accounts, designated as a HRBFA Account. Payment shall be made by RMC within 30 days after the close of each month for which such fee(s) is payable. No such monthly payment will be paid if the average net asset value of all HRBFA Accounts upon which the fee is based is less than \$25,000.

Assistance payments to HRBFA will be at an annual rate determined and paid monthly as follows average daily net assets of such Qualified Accounts of less than \$4 billion, 0.80%; \$4 billion but

less than \$5 billion, 0.83%; and, \$5 billion or more, 0.85%, or in accordance with any subsequent Notice pursuant to this Agreement.

All expenses, which HRBFA incurs in connection with activities under this Agreement, shall be borne by HRBFA.

6. **Authorized Deposits:** Deposits made by telephone or wire order by HRBFA shall be made to Reserve's subscription account and received by RMC and all necessary applications and other documents required by RMC to establish an account or to settle a purchase or withdrawal, within five (5) business days after RMC's acceptance of the deposit/withdrawal or such shorter time as may be required by law. If such payments or other settlement documents are not timely received by RMC, HRBFA acknowledges that RMC reserves the right, without notice, to cancel the deposit or withdrawal and HRBFA shall promptly reimburse RMC for any loss to RMC, including without limitation, loss of RMC's profit suffered as a result of HRBFA's failure to make the aforesaid timely payment or settlement. If sales of the Insured Deposits are contingent upon RMC's receipt of Federal Funds in payment therefore, HRBFA will forward promptly to RMC any deposits and/or payments received by HRBFA for Insured Deposits from Client-investors.

Further, HRBFA agrees to reimburse RMC for any losses and costs incurred based on HRBFA's instructions relating to the deposits in a HRBFA Account, as well as HRBFA provided information.

7. **Withdrawal Requests:** HRBFA may place withdrawal requests with RMC for Client-investors but only in accordance with the Terms & Conditions. HRBFA understands and agrees that by placing a withdrawal request with RMC by wire or telephone, HRBFA represents that a withdrawal request for the Insured Deposits covered by the withdrawal request has been delivered to HRBFA and that such request has been executed in the manner as required by the then current Terms and Conditions. Such withdrawal requests shall be subject to the following additional conditions:

(a) For pre-registered instructions, HRBFA shall furnish RMC with the account number for the withdrawal request and shall provide any additional documents, which may be required in accordance with the then current Terms and Conditions and RMC's policies.

(b) A withdrawal request will be transacted at the next net asset computed after RMC receipt, prior to RMC's normal close of business that day (8:30 am to 5:30 pm EST).

(c) In connection with a withdrawal request placed, if HRBFA fails to make delivery of all required certificates and/or documents in a timely manner as stated above, RMC has the right to cancel HRBFA's withdrawal request. If any cancellation of a withdrawal request or if any error in the timing of the acceptance of a withdrawal placed by HRBFA shall result in a loss to RMC, HRBFA shall promptly reimburse RMC for such loss.

If any authorized deposits under the terms of this Agreement are withdrawn from Insured Deposits within seven (7) business days after deposit, HRBFA shall promptly repay to RMC the full amount of the payments made by RMC on such deposits upon written notice by RMC to HRBFA.

8. **Name; Logo.** Neither RMC nor HRBFA, or its affiliates, shall use other's name, logo or any abbreviation or adaptation thereof for printed, electronic or published advertising, trade or commercial purposes without the express written consent of the other, *provided*, consent is not unreasonably withheld.

9. **Advance Review of Certain Documents.** HRBFA and/or Greater Community Bancorp shall provide RMC seven (7) business day advance review of any and/all written materials, including but not limited to market brochures, applications, etc., relating to this product and/or mentioning RMC. All such materials must be approved in writing by RMC *prior* to use. Ten (10) copies of all final materials shall be sent to [REDACTED], Director of Marketing, The Reserve Funds, 1250 Broadway, New York, NY 10001-3701 within three (3) days prior to use.

10. **Representations:** HRBFA represents and warrants that it is fully licensed and legally empowered to solicit qualified Client-investors for the Insured Deposits under the laws of each jurisdiction in which it conducts business and applicable laws and regulations. HRBFA agrees to abide by all applicable laws and regulations, all of which are incorporated herein by reference.

11. **Term, Termination:** This Agreement shall be effective as of the date written above. This Agreement may be terminated by either party upon fifteen (15) business days' written notice to the other *provided*, however, that either party may terminate this Agreement effective within the shorter time frame contained within such notice of termination in the event of: (i) a breach of this Agreement by the non-terminating party; (ii) an opinion of counsel that the continuation of the Agreement would be in contravention of any relevant statute or regulation; (iii) a serious impairment of the non-terminating party's financial condition; (iv) a direction to terminate by a regulatory agency; or, (v) the parties mutually agree in writing to a shorter period. Further, this Agreement will terminate automatically in the event of its assignment.

12. **Amendment:** Any amendment to this Agreement will only be valid if in writing and signed by the parties to be bound by such amendment(s). If any provision of this Agreement is deemed to be in violation of law or is unenforceable, the remainder of this Agreement with such provision omitted will remain in full force and effect.

13. **Notices:** Except as otherwise provided in this Agreement, all notices required under this Agreement shall be delivered in person, in writing by United States certified mail, commercial overnight delivery service or facsimile transmission with machine confirmation and original sent via regular mail and shall be sent to RMC at The Reserve Funds, Attn: Office of Director of Sales, 1250 Broadway, 32nd Floor, New York, NY 10001-3701; similarly, notice shall be given to HRBFA at 751 Griswold, Detroit, MI 48226, Attn: [REDACTED], unless a party specifies by written notice to the other party that a different address should be used. Notices will be deemed delivered when delivered in person; or if mailed by certified mail, on the third business day after the date of deposit in the United States mail, and upon receipt, if by commercial overnight delivery service.

14. **Governing Law:** This Agreement and all the rights and obligations of the parties hereunder shall be governed by and construed under the laws of the State of New York.

15. **Miscellaneous.** This Agreement supersedes all proposals, prior communications, advertising, representations, warranties and promises, whether oral or written, relating to the subject matter of this Agreement. This Agreement constitutes the entire agreement between the parties as to the subject matter hereof and supersedes any and all agreements, representations and warranties, written or oral, regarding such subject matter made prior to the time at which this Agreement has been executed and delivered. Further, each party agrees to abide by all applicable federal and state laws and regulations in connection with the performance of its obligations under this Agreement.

The division of this Agreement into sections, clauses, paragraphs or subdivision and the insertion of headings are for convenience only and shall not affect the construction or interpretation. This Agreement shall not be modified except by a writing duly executed on behalf of the party against whom such modification is sought to be enforced. The failure of any party to require performance by another party of any provision of this Agreement shall in no way affect the full right to require such performance at any time thereafter. Should any provisions of this Agreement be found unenforceable, the remainder shall still be in effect.

15 Confidentiality of Information. Both parties, at all times, shall hold in confidence, and shall at no time advise, use or disclose to any person, organization or agency, except those having a specific need to know in performance of work connected to this contract, any proprietary or confidential information of the parties or of the customers of HRBFA. All customer names and customer information is to be kept in strict confidence and no sharing of such information shall occur without written consent of the customer and of HRBFA. Parties agree and acknowledge that HRBFA is subject to strict legal requirements regarding the confidentiality of customers and RMC agrees to cooperate to protect such information.

In case of any request or demands for the inspection of records by a regulatory body, RMC will endeavor to notify HRBFA and to secure instructions from an authorized officer of HRBFA as to such request. RMC reserves the right, however, to exhibit the requested records to any person whenever it is advised by its counsel that it may be held liable for the failure to exhibit the records to such person.

Both parties agree that the Agreement may be executed in counterparts

IN WITNESS WHEREOF, each Party represents and warrants that the person signing this Agreement on its behalf is an officer authorized to execute this Agreement on behalf of such Party and the Parties have caused this Agreement to be executed and their respective corporate seals to be affixed as of the date first above written by their respective officers hereunto duly authorized.

ATTEST: [AFFIX SEAL]

Signature:  _____
Title: Counsel _____

RESERVE MANAGEMENT CORP.

By:  _____
Senior Vice President

ATTEST: [AFFIX SEAL]

Signature: _____
Title: _____

(H & R BLOCK FINANCIAL ADVISORS,
INC.)

By:  _____ 6/26/07
(Print Name)
(Print Title)

AMENDMENT

This Amendment is made to the Reserve Insured Deposits Agreement dated June 26, 2001 between Reserve Management Corp. ("RMC") and H&R Block Financial Advisors, Inc. ("HRBFA") (the "Agreement").

RMC and HRBFA agree to the following amendment to Section 5, entitled **Payment**, of the Agreement:

1. The first, second and fourth paragraphs under Section 5 remain as written;
2. The third paragraph under Section 5 should be deleted in its entirety and replaced with the following language:

"Effective July 1, 2003, payments to HRBFA by RMC will be at the Federal Funds Rate, calculated as follows:

Interest Compounding Method: Daily

Pricing Index: 30-day Moving Average for Overnight Federal Funds.

Interest Reset Frequency: Every Monday. Using the previous business day's closing 30 day average, rates will be reset on the last business day of each week effective the following Monday.

Pricing Source: Bloomberg L.P.

AGREED TO:

H&R Block Financial Advisors, Inc.

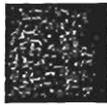
By: 

Name
Manager Product Development
Title
8/25/03
Date

Reserve Management Corp. 

By: 

Name
President
Title
8/15/03
Date



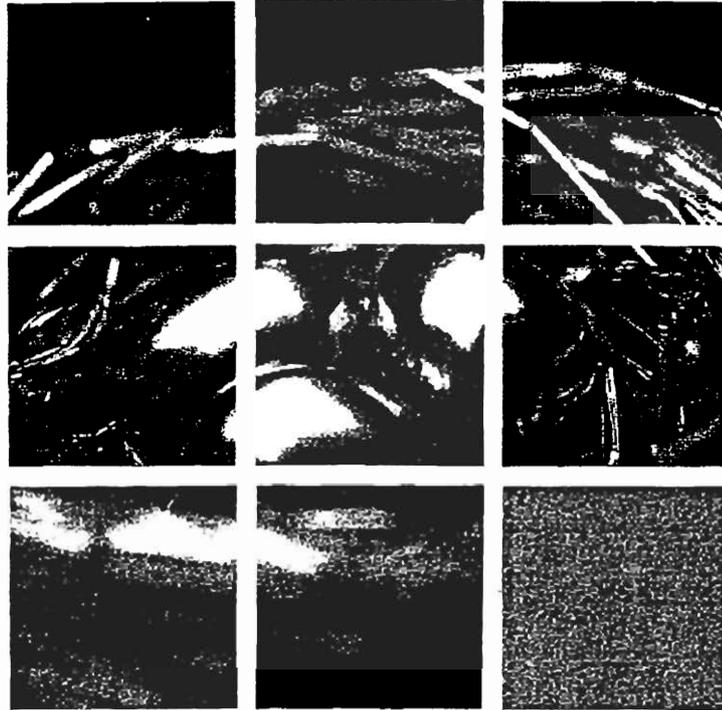
XIRA Product Enhancements

- Some TaxPros unaidedly expressed dissatisfaction with the 2002 XIRA product claiming the interest rates were a sizeable conversion hurdle.
- However, when presented with the proposed product enhancements for 2003 (no fees, no minimums and better interest rates), TaxPros were unanimously in favor of the changes.
- Many claimed the product changes were the most significant enhancement presented and the changes that would likely have the most powerful impact on their overall conversion rates for the 2003 tax season.

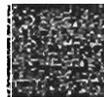
Overall, better interest rates appeared to be the most beneficial modifications.

Fees and minimums appeared to be less of a hurdle during the 2002 tax season.

Express IRA



a better way to save –
great rates – FDIC insured



H&R BLOCK®

Express IRA

Great rates. Secure savings.

Open an H&R Block Express IRA and save for your future while you earn great rates on the money you deposit. And because your Express IRA is FDIC-insured, your savings are always secure.

An Express IRA is an easy and affordable way to begin building your future right away. You can fund your Express IRA in one of three convenient ways and can even use your tax refund as your initial contribution. Start making more money on your savings right now and enjoy potential tax savings, too. Enjoy the benefits of an Express IRA today!

- Great rates
- FDIC-insured
- Easy and affordable

The Saver's Credit

A great way to save with an Express IRA

Your Express IRA could reduce the taxes you owe and qualify you for the Saver's Credit that could further reduce the federal income tax you pay. And your Saver's Credit could be worth up to \$1,000!¹ That gives you three ways to save on taxes with an Express IRA:

- Reduce your taxable income with a traditional IRA²
- Claim the Saver's Credit if you qualify
- Pay no taxes on interest income³

smart
step **1** determine if you qualify
for the Saver's Credit

You may qualify for this nonrefundable income tax credit if you:

- Are age 18 or older before the end of the year
- Are not a full-time student
- Are not claimed as a dependent
- Have a modified adjusted gross income that meets the guidelines³

Talk to your tax professional today to find out if you qualify for the special Saver's Credit!

1

1 Your credit may be less. Credit is nonrefundable and cannot reduce your taxes below \$0.

2 Early withdrawals may be subject to tax and penalty.

3 See table on page 2.

smart
step **2** find out how much the
Saver's Credit is worth

The credit may be claimed on the first \$2,000 (\$2,000 per spouse if married and filing jointly) of retirement contributions you make to a qualified retirement plan, IRA or Roth IRA. Depending on your modified adjusted gross income and filing status, you could be eligible for a Saver's Credit of up to 50% of your contribution. In general, the lower your income, the higher your credit rate, as shown in the table below. Your H&R Block tax professional can help you determine if you qualify for the Saver's Credit and help you calculate the amount of your credit rate.

Modified Adjusted Gross Income Ranges			
Married filing jointly	Head of household	All other filers	Credit rate
\$0-\$30,000	\$0-\$22,500	\$0-\$15,000	50% of contribution
\$30,001-\$32,500	\$22,501-\$24,375	\$15,001-\$16,250	20% of contribution
\$32,501-\$50,000	\$24,376-\$37,500	\$16,251-\$25,000	10% of contribution
Over \$50,000	Over \$37,500	Over \$25,000	Credit not available



Qualify for the Saver's Credit and earn an additional tax reduction of up to 50% of your IRA contribution.

smart step **3** choose your IRA

You can choose a traditional IRA or Roth IRA to save for your retirement. Each offers unique benefits.

Traditional IRA

A traditional IRA may offer immediate tax savings by reducing your taxable income for the current year. It also takes advantage of "tax deferral." This means you don't pay taxes on your earnings until you make a withdrawal. And though your IRA funds are intended for retirement, you may take distributions without penalty⁴ for:

- First home purchase (up to \$10,000)
- Qualified education expenses
- Any purpose beginning at age 59½
- Qualified medical expenses

Roth IRA

A Roth IRA allows you to take distributions without penalty for all of the purposes listed above, but offers even more flexibility. Although your contributions to a Roth IRA aren't tax deductible, there are many other advantages:

- Pay no taxes on interest income⁵.
- Withdraw your contributions at any time, for any reason
- Contribute for as long as you have earned income

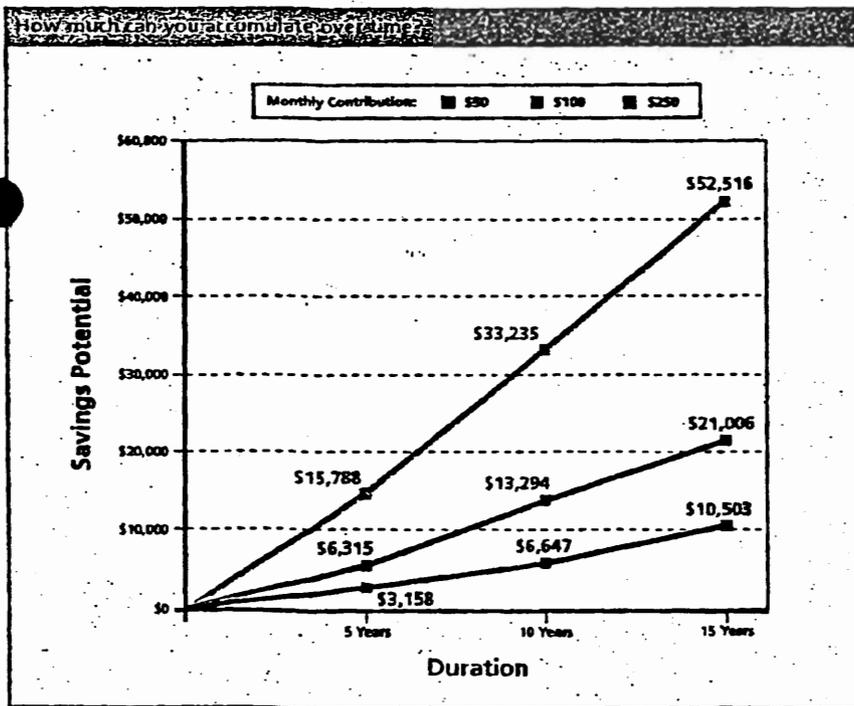
3

⁴ Other exceptions may apply.

⁵ Early withdrawals may be subject to tax and penalty.

smart step 4 take advantage of systematic investing

Make the most of your Express IRA savings with systematic investing. Here's how it works. You specify a pre-set dollar amount to invest in your Express IRA each month through automatic deposits. It's a great way to build your savings – and you can start for as little as \$25 a month. When you open your Express IRA, ask your tax professional to set up systematic investing and watch your savings grow!



This chart assumes a 2.0% growth rate, compounded monthly and is for illustrative purposes only. Your actual rate of return may vary.

smart
step **5** start now with your
tax refund

Open your Express IRA using your tax refund and begin saving right now! And you may even receive an immediate deduction on your taxes. You can also fund your Express IRA with:

- Automatic monthly deposits of \$25 or more
- A personal check
- One-time direct deposit

Security with Express IRA

When you invest in an Express IRA, you can invest with confidence.

- Your funds are FDIC-insured for up to \$100,000
- You'll earn competitive interest rates on your account balance
- You'll have year-round access to our Investor Center, so you can always get the help and advice you need to invest wisely

5

Open an Express IRA and start saving today!

An H&R Block tax professional can show you how a contribution to an Express IRA could increase your tax refund or reduce the taxes you owe. And the sooner you start, the more you'll save. So don't put off preparing for your future.

Open your Express IRA during your tax visit and begin saving right away. Once you've opened an Express IRA, one call is all it takes to update your account or get answers to your financial questions.

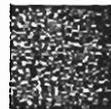
H&R Block is here to help with all your financial needs. Call to learn more or stop in today to open your Express IRA.

Investment services and securities products offered through H&R Block Financial Advisors, Inc., member NYSE/SIPC, a dually registered broker/dealer and investment advisor. Tax services offered through subsidiaries of H&R Block Services, Inc. H&R Block, Inc. and H&R Block Services, Inc. are not registered broker-dealers or registered investment advisors. H&R Block Mortgage Corporation is licensed or exempt from licensing to conduct business in all states. H&R Block Mortgage Corporation, 20 Blanchard Road, Burlington, MA 01803 is an Arizona Mortgage Banker, #BK0902757. Loans are made or arranged pursuant to a Department of Corporations California Finance Lenders license, a Georgia Residential Mortgage Licensee, an Illinois Residential Mortgage Licensee #4982 as H&R Block Mortgage Corporation by the Commissioner of Banks and Real Estate, Suite# 2130, 310 South Michigan Avenue, Chicago, IL 60604 (312-793-3000), is registered with the Kansas Department of Banking, a Massachusetts Mortgage Lender #ML0039, licensed as a Mortgage Banker #5843-MB and #5895-MHL by the New Hampshire Banking Department, licensed by New Jersey Department of Banking and Insurance, is a Licensed Mortgage Banker - NYS Banking Department, is licensed by the Pennsylvania Department of Banking, is a Rhode Island Lender Licensee. H&R Block Mortgage Corporation Underwriting Guidelines apply to all loan programs. Copyright 2004 H&R Block Mortgage Corporation. Not all programs are available in all areas. Program restrictions apply. All rights reserved.

To make an appointment, ask your tax professional or call

1-800-HRBLOCK

hrblock.com



H&R BLOCK®

1026338 Rev 09/04

Complexity Lift:

Psycle Segment	Without XIRA	With XIRA	\$ Change	% Change
Young Strugglers	\$134.96	\$159.99	\$25.03	18.5%
Working Class Renter	\$136.52	\$158.49	\$21.96	16.1%
Working Class Owners	\$146.97	\$163.54	\$16.57	11.3%
Striving Professionals	\$150.68	\$165.81	\$15.12	10.0%
Mid-Income Investors	\$158.59	\$150.48	-\$8.11	-5.1%
Settled Conservatives	\$135.47	\$156.07	\$20.60	15.2%
Retired	\$134.84	\$150.31	\$15.48	11.5%
Investors	\$165.90	\$159.03	-\$6.87	-4.1%
Wealth	\$208.42	\$144.98	-\$63.44	-30.4%
Unknowns	\$139.23	\$163.94	\$24.72	17.8%
Total	\$144.06	\$159.77	\$15.71	10.9%

- Note: the amounts are adjusted for the XIRA set up fee.
- Express IRA clients are \$15.71 or 10.9% higher in revenue on average than similar clients with no XIRA
- The increase in complexity is driven primarily by additional IRA forms and worksheets, Saver's Credit form and forced migration from 1040EZ to 1040A or regular.

Data source: Corporate Analytics

H&R Block Company Confidential

Express IRA Post Mortem – Tax Season 2004

Deposit Amounts and Funding Sources:

XIRAs by Funding Source (pledged):

TS 2004	Units	Mix	\$ Amount	Avg. Deposit
Refund	173,254	79.7%	\$ 82,582,567	\$ 476.66
Check	19,433	8.9%	\$ 29,558,086	\$ 1,521.03
One Time ACH & Systematic Monthly	24,637	11.3%	\$ 1,072,211	\$ 43.52
Total	217,324	100.0%	\$ 113,212,864	\$ 520.94

TS 2003

Refund	123,149	80.0%	\$ 58,856,441	\$ 477.93
Check	13,591	8.8%	\$ 19,119,737	\$ 1,406.79
One Time ACH & Systematic Monthly	17,219	11.2%	\$ 655,592	\$ 38.07
Total	153,959	100.0%	\$ 78,631,770	\$ 510.73

- Approx. 80% of XIRAs are funded via a tax refund.
- There were no material shifts in the mix of funding methods year over year.
- The average check deposit is significantly larger than one from a tax refund.
- In TS04 there were approx. 1,800 accounts that used more than one funding method (e.g., a refund and systematic deposit).

Data source: HRBFA data from BETA Link

H&R Block Company Confidential

Express IRA Post Mortem – Tax Season 2004

Existing Account Recontributions:

XIRA Recontributions in 2004
 Accounts Opened 1/01 - 12/01 - Pilot
 Accounts Opened 1/02 - 12/02 - Yr 1
 Accounts Opened 1/03 - 12/03 - Yr 2
Total

New XIRAs	Recontributed in TS04	Recontribution Rate	Avg. Recontribution
23,967	1,948	8.1%	\$ 754.69
145,972	19,359	13.3%	\$ 572.66
110,383	29,398	26.6%	\$ 561.38
280,322	50,705	18.1%	\$ 573.11

- Nearly 27% of clients that opened new XIRAs in TS03 recontributed in TS04
- The recontribution rate declines by nearly half each year after the account is opened.
- These recontribution rates do not include those accounts making monthly systematic deposits – only those that recontributed during tax prep.
- The “New XIRAs” reflect only clients that came to Block during TS04 to get their taxes prepared, it does not include existing XIRAs that did not come back to Block during TS04.

Data source: Corporate Analytics

H&R Block Company Confidential

Express IRA Post Mortem – Tax Season 2004

Table 10. 2004 Express IRAs by Income Range

Income Range	Total Tax Returns	# Tax Returns with XIRA	New XIRA	XIRA Recontributed	Take Rate	Total Deposits (Avg)	XIRA (Avg) Deposits	Recontributed (Avg) Deposits	XIRA Deposits
\$ 1 - \$ 9,999	2,580,766	10,226	8,008	2,303	0.4%	\$3,346,787	\$325	\$305	\$392
\$ 10,000 - \$ 19,999	3,502,272	57,696	44,858	13,554	1.6%	\$22,041,457	\$377	\$365	\$419
\$ 20,000 - \$ 29,999	2,734,103	55,916	43,296	14,141	2.0%	\$25,733,982	\$448	\$439	\$474
\$ 30,000 - \$ 39,999	1,845,478	24,810	19,288	6,886	1.3%	\$14,203,666	\$543	\$535	\$565
\$ 40,000 - \$ 49,999	1,303,793	14,803	11,608	4,483	1.1%	\$10,444,322	\$649	\$657	\$629
\$ 50,000 - \$ 59,999	951,861	8,240	6,257	2,920	0.9%	\$7,061,207	\$769	\$784	\$718
\$ 60,000 - \$ 74,999	965,412	7,751	5,958	2,980	0.8%	\$7,876,509	\$881	\$911	\$821
\$ 75,000 and over	1,259,484	9,723	7,736	3,916	0.8%	\$16,085,231	\$1,380	\$1,463	\$1,217
Overall	15,143,169	189,165	147,009	51,183	1.2%	\$106,793,161	\$539	\$527	\$573

- The majority of TS04 Express IRA takers were with income between \$10,000 and \$19,999, while TS04 clients with income between \$20,000 and \$29,999 had the highest Express IRA take rate of 2.0%

Data source: Corporate Analytics

H&R Block Company Confidential

Express IRA Post Mortem – Tax Season 2004

From: [REDACTED]
To: [REDACTED]
cc: [REDACTED]
bcc:
Subject: Welfare/Social Serices Issue
Date: 12/8/2004 10:57:15 AM

2

FYI

I was doing a little bit of research on the welfare/social services issue that may affect XIRA. I ran across this...

"Additionally, accumulating assets may disqualify these families from participating in income benefit programs like food stamps, if their assets exceed specific levels."

<http://www.financeprojectinfo.org/WIN/OtherAssetProgs.asp>

Thanks,

[REDACTED]

Company Owned Offices

Reg District	AdminID	OfficalID	Position	First Name	Last Name	Office Address	City	State	Zip	Phone
2 NEW YORK WEST - FD	30209	30210 04				85 MAIN STREET	BATAVIA	NY	14020	585-344-1178
2 NEW YORK - FD	30211	30212 04				2270 CLUTE ROAD	MIRGOL	NY	13048	315-217-6401
2 LAKE CHAMPLAIN - FD	44042	44043 04				128 ALLEN DRIVE	MILTON	VT	5468	802-298-7858
4 WESTERN PA. - FD	37160	37161 4				BALDWIN OFFICE BUILDING	ERIE	PA	16501	814-461-8281
10 NEW HAVEN, CT - CT WEST	7602	26078 03				5 WEST 10TH STREET, STE. 304	CARMEI	NY	10812	845-225-3746
12 NEW HAVEN, CT - CT WEST	7602	26078 03				1920 ROUTE 6	CARMEI	NY	10812	845-225-3746
12 ROCHESTER WEST, NY	29506	29508 03				TOWN CENTER SHOPPING PLAZA	BREWSTER	NY	10509	845-279-9314
12 ROCHESTER WEST, NY	29506	29508 03				COUNTRY VILLAGE CENTER	ROCHESTER	NY	14828	585-227-0780
12 ROCHESTER WEST, NY	29506	29509 03				IRONDEQUOIT PLAZA	ROCHESTER	NY	14617	585-342-4010
12 ROCHESTER WEST, NY	29506	29509 03				20 MAIN STREET E.	ROCHESTER	NY	14614	585-232-3667
12 ROCHESTER WEST, NY	29506	29591 03				WEGMANS PLAZA	BROCKPORT	NY	14420	585-637-2460
12 ROCHESTER WEST, NY	29506	29592 03				GREECE RIDGE CENTER, SPACE #56	ROCHESTER	NY	14828	585-225-5920
12 ROCHESTER WEST, NY	29506	29593 03				STONERIDGE PLAZA	ROCHESTER	NY	14815	585-342-7868
12 ROCHESTER WEST, NY	29506	29594 03				1520 RIDGE ROAD WEST	ROCHESTER	NY	14822	585-342-3370
12 ROCHESTER WEST, NY	29506	29595 03				2258 EAST RIDGE RD	ROCHESTER	NY	14806	585-547-1466
12 ROCHESTER WEST, NY	29500	29596 03				1394 YELL AVE	ROCHESTER	NY	14824	585-426-2070
12 ROCHESTER WEST, NY	29500	29596 03				1649 HOWARD RD.	ROCHESTER	NY	14818	585-895-8810
12 ROCHESTER WEST, NY	29500	29597 03				PARKWAY COMMONS PLAZA	ROCHESTER	NY	14818	585-342-7710
12 ROCHESTER WEST, NY	29506	29598 03				IRONDEQUOIT MALL	ROCHESTER	NY	14822	585-235-3900
12 ROCHESTER WEST, NY	29506	29599 03				653 THURSTON ROAD	ROCHESTER	NY	14619	585-232-5450
12 ROCHESTER WEST, NY	29506	29600 03				THE SHOPS AT SIBLEY	ROCHESTER	NY	14604	585-788-2343
12 ROCHESTER WEST, NY	29506	29958 03				128 W. MAIN STREET	LE ROY	NY	14822	585-788-2343
12 ROCHESTER WEST, NY	29506	30241 03				BJ	BATAVIA	NY	14020	585-613-0123
12 ROCHESTER WEST, NY	29506	30270 03				ELM RIDGE SHOPPING CENTER	ROCHESTER	NY	14828	585-398-0810
12 ROCHESTER WEST, NY	29506	30380 03				921 GENESEE ST.	ROCHESTER	NY	14811	585-438-0763
12 ROCHESTER WEST, NY	29506	30381 03				ELM RIDGE CENTER DRIVE	ROCHESTER	NY	14811	585-438-0763
12 ROCHESTER WEST, NY	29506	30415 03				1520 RIDGE ROAD WEST	ROCHESTER	NY	14815	585-225-7868
12 ROCHESTER WEST, NY	29506	30470 03				UPPER FALLS PLAZA	ROCHESTER	NY	14605	585-232-8040
12 ROCHESTER WEST, NY	29506	30470 03				620 N. CLINTON AVENUE	ROCHESTER	NY	14618	585-683-2250
12 ROCHESTER WEST, NY	29506	30516 03				NORTHGATE PLAZA	GREECE	NY	14618	585-345-4370
12 ROCHESTER WEST, NY	29506	30578 03				4133 VETERANS MEMORIAL DRIVE	BATAVIA	NY	14020	585-458-3720
12 ROCHESTER WEST, NY	29506	30598 03				MAPLEWOOD PLAZA	ROCHESTER	NY	14813	585-328-3920
12 POUGHKEEPSIE, NY	29520	29784 03				450 WEST AVENUE	ROCHESTER	NY	14811	845-454-1172
12 POUGHKEEPSIE, NY	29520	29784 03				POST ROAD PLAZA SHOPPING CTR	POUGHKEEPSIE	NY	12601	845-585-8640
12 POUGHKEEPSIE, NY	29520	29785 03				FISHKILL PLAZA	FISHKILL	NY	12824	845-585-8640
12 POUGHKEEPSIE, NY	29520	29785 03				252 PLAZA ROAD	KINGSTON	NY	12401	845-398-1840
12 POUGHKEEPSIE, NY	29520	29785 03				KINGSTON BEARS, HUDSON VALLEY MALL	KINGSTON	NY	12401	845-382-1749
12 POUGHKEEPSIE, NY	29520	29785 03				POUGHKEEPSIE GALLERIA	POUGHKEEPSIE	NY	12601	845-288-2374
12 POUGHKEEPSIE, NY	29520	29785 03				471 BROADWAY	NEWBURGH	NY	12550	845-582-0980
12 POUGHKEEPSIE, NY	29520	29785 03				51 BURNETTE BLVD.	NEWBURGH	NY	12603	845-471-8510
12 POUGHKEEPSIE, NY	29520	29785 03				NEWBURGH MALL	NEWBURGH	NY	12603	845-586-0566
12 POUGHKEEPSIE, NY	29520	29785 03				1 BOICEST LANE	KINGSTON	NY	12401	845-336-0460
12 POUGHKEEPSIE, NY	29520	29785 03				CAMPBELL PLAZA	MIDDLETOWN	NY	10940	845-342-0122
12 POUGHKEEPSIE, NY	29520	29785 03				50-52 FRONT STREET	PORT JERVIS	NY	12771	845-856-5721
12 POUGHKEEPSIE, NY	29520	29785 03				GALLERIA AT CRYSTAL RUN	MIDDLETOWN	NY	10940	845-695-5066
12 POUGHKEEPSIE, NY	29520	29785 03				PARK PLAZA	HYDE PARK	NY	12536	845-278-6300
12 POUGHKEEPSIE, NY	29520	29785 03				ECKERD PLAZA	NEW PALTZ	NY	12561	845-255-9010
12 POUGHKEEPSIE, NY	29520	29785 03				356 WINDSOR HIGHWAY, RTE 32	NEW WINDSOR	NY	12553	845-581-3804
12 POUGHKEEPSIE, NY	29520	29785 03				NINE WALL	WAPPINGERS FALLS	NY	12590	845-298-1126
12 POUGHKEEPSIE, NY	29520	30379 03				378 MAIN STREET	POUGHKEEPSIE	NY	12601	845-454-2162
12 POUGHKEEPSIE, NY	29520	30380 03				TWIN MAPLES PLAZA	POUGHKEEPSIE	NY	12601	515-943-4465
12 POUGHKEEPSIE, NY	29520	30661 03				44 BROADWAY, SUITE 3	CATSKILL	NY	12414	845-348-3300
12 POUGHKEEPSIE, NY	29520	30602 03				COLONIAL SQUARE MALL	MONTECELLO	NY	12701	845-784-2166
12 POUGHKEEPSIE, NY	29520	30502 03				90 CLOWES AVENUE	LIBERTY	NY	12754	845-292-8168
12 POUGHKEEPSIE, NY	29520	30504 03				137 HAWKINS DRIVE	GOSHEN	NY	10924	845-284-8972
12 POUGHKEEPSIE, NY	29520	30576 03				ORANGE PLAZA	MONTEGOMERY	NY	12546	845-457-3700
12 POUGHKEEPSIE, NY	29520	30676 03				444 ROUTE 211 E, SUITE 6	MIDDLETOWN	NY	10940	845-343-3515

Exhibit A

Company Owned Offices

Reg District	AdminID	OfficeID	Position	First Name	Last Name	Office Address	Office Address Line 2	City	State	Zip	Phone
12 POUGHKEEPSIE, NY	29520	30813 03				11824 STATE ROAD BW		COXSACKIE	NY	12051	516-731-2222
12 BUFFALO, NY	29523	29564 03				1528 WALDEN AVE.	SUITE 800	CHEEKTOWAGA	NY	14225	716-891-8873
12 BUFFALO, NY	29523	29565 03				313 AMHERST ST.		BUFFALO	NY	14207	716-447-9904
12 BUFFALO, NY	29523	29566 03				WALDEN GALLERIA		CHEEKTOWAGA	NY	14225	716-893-9676
12 BUFFALO, NY	29523	29567 03				1049 PLAZA	2000 WALDEN AVENUE	CHEEKTOWAGA	NY	14212	716-895-1000
12 BUFFALO, NY	29523	29568 03				TRANSIT FRENCH PLAZA	4779 TRANSIT RD. STE 5	LANCASTER	NY	14086	716-688-6514
12 BUFFALO, NY	29523	29569 03				120 CENTRAL PARK PLAZA		BUFFALO	NY	14214	716-834-2491
12 BUFFALO, NY	29523	29570 03				D&L PLAZA	5178 BROADWAY	DEPEW	NY	14043	716-605-2841
12 BUFFALO, NY	29523	29571 03				695 MAIN ST.		EAST AURORA	NY	14052	716-652-7820
12 BUFFALO, NY	29523	29572 03				SOUTHGATE PLAZA	1038 UNION ROAD	WEST SENECA	NY	14224	718-475-1152
12 BUFFALO, NY	29523	29573 03				MCKINLEY MALL	3701 MCKINLEY PKWY.	HAMBURG	NY	14075	716-827-8044
12 BUFFALO, NY	29523	29574 03				HILLS BENECA PLAZA	2400 SENECA STREET	BUFFALO	NY	14210	716-835-4850
12 BUFFALO, NY	29523	29575 03				DELAWARE CONSUMER SQ.	2141 ELMWOOD AVE	HAMBURG	NY	14216	716-874-9428
12 BUFFALO, NY	29523	29576 03				4134 MC KINLEY PARKWAY		HAMBURG	NY	14075	716-648-9701
12 BUFFALO, NY	29523	29577 03				LAFAVETTE SQ.	370 MAIN STREET	BUFFALO	NY	14203	716-852-8063
12 BUFFALO, NY	29523	29578 03				HAMBURG VILLAGE SQUARE	140 PINE ST.	HAMBURG	NY	14075	716-648-7880
12 BUFFALO, NY	29523	29579 03				ABBOTT RD PLAZA	1252 ABBOTT	LACKAWANNA	NY	14218	716-823-7803
12 BUFFALO, NY	29523	29580 03				STUYVESANT PLAZA	248 ELMWOOD AVE	BUFFALO	NY	14222	716-894-3350
12 BUFFALO, NY	29523	29581 03				795 TONAWANDA STREET		BUFFALO	NY	14207	716-874-4199
12 BUFFALO, NY	29523	29584 03				DELAVER STATION	1832 MAIN STREET, SUITE 4	BUFFALO	NY	14208	716-885-3018
12 BUFFALO, NY	29523	29802 03				EASTERN HILLS MALL	4545 TRANSIT ROAD	WILLIAMSVILLE	NY	14221	718-631-8650
12 BUFFALO, NY	29523	29804 03				LOCKPORT MALL	5737 TRANSIT ROAD	LOCKPORT	NY	14094	716-434-9981
12 BUFFALO, NY	29523	29805 03				SUMMIT MALL		NIAGARA FALLS	NY	14301	716-285-2683
12 BUFFALO, NY	29523	29806 03				1813 1817 PINE AVENUE		NIAGARA FALLS	NY	14304	716-895-5866
12 BUFFALO, NY	29523	29807 03				MID-CITY PLAZA	6829 WILLIAMS RD.	NIAGARA FALLS	NY	14304	716-895-5335
12 BUFFALO, NY	29523	29808 03				1060 NIAGARA FALLS BLVD.	1026 PAYNE AVE.	TONAWANDA	NY	14150	716-632-4683
12 BUFFALO, NY	29523	29809 03				1060 NIAGARA FALLS BLVD.		TONAWANDA	NY	14150	716-632-4683
12 BUFFALO, NY	29523	29810 03				3183 DELAWARE AVENUE		BUFFALO	NY	14217	716-874-5100
12 BUFFALO, NY	29523	29811 03				1102 KENSINGTON AVE		BUFFALO	NY	14215	716-837-9300
12 BUFFALO, NY	29523	29812 03				WALKER CENTER	5110 MAIN STREET, SUITE 108	WILLIAMSVILLE	NY	14225	718-683-3377
12 BUFFALO, NY	29523	29814 03				AIRPORT PLAZA	4178 UNION ROAD	CHEEKTOWAGA	NY	14204	716-893-2864
12 BUFFALO, NY	29523	29819 03				8207 631 NIAGARA FALLS BLVD.		NIAGARA FALLS	NY	14204	716-891-3247
12 BUFFALO, NY	29523	30219 03				TOPS PLAZA	5811 S. TRANSIT ROAD AT HAMM	LOCKPORT	NY	14094	716-438-4198
12 BUFFALO, NY	29523	30220 03				UNIVERSITY PLAZA	3500 MAIN STREET	AMHERST	NY	14228	716-838-8641
12 BUFFALO, NY	29523	30258 03				TOPS PLAZA	3890 E. ROBINSON STREET, UNIT #12	AMHERST	NY	14228	716-891-0394
12 BUFFALO, NY	29523	30276 03				282 GRANT STREET		BUFFALO	NY	14213	716-895-6335
12 BUFFALO, NY	29523	30343 03				BOULEVARD MALL	1261 NIAGARA FALLS BLVD.	AMHERST	NY	14228	718-824-4828
12 BUFFALO, NY	29523	30417 03				VALU HOME CENTERS PLAZA	77 S. ROSSLER STREET	BUFFALO	NY	14206	718-833-2864
12 BUFFALO, NY	29523	30479 03				TOWNE GARDENS PLAZA	421 WILLIAM STREET	AMHERST	NY	14204	716-891-3247
12 BUFFALO, NY	29523	30513 03				2095 NIAGARA FALLS BLVD		BUFFALO	NY	14226	716-895-2339
12 BUFFALO, NY	29523	30580 03				637 WALDEN AVENUE		BUFFALO	NY	14221	716-895-5715
12 BUFFALO, NY	29523	30614 03				3735 UNION ROAD		CHEEKTOWAGA	NY	14225	716-665-5715
12 BUFFALO, NY	29523	30675 03				6538 PORTER ROAD		NIAGARA FALLS	NY	14304	716-287-8122
12 UTICA, NY	29526	29836 03				WHITESTOWN PLAZA	34 ORISKANY BLVD., STORE 3	WHITESTOWN	NY	13482	315-738-6000
12 UTICA, NY	29526	29838 03				MOHAWK ACRES PLAZA	1726 BLACK RIVER BLVD. NORTH	WHITESTOWN	NY	13440	315-336-8880
12 UTICA, NY	29526	29839 03				TOPS PLAZA	142 GENESEE ST.	ROME	NY	13421	315-303-8900
12 UTICA, NY	29526	29840 03				SANGERTOWN SQUARE	ROUTE 3 S. 5A	ONEIDA	NY	13413	315-782-0328
12 UTICA, NY	29526	29841 03				RITE AID PLAZA	232 MOHAWK ST. & ROUTE 5	NEW HARTFORD	NY	13500	315-865-6837
12 UTICA, NY	29526	29842 03				PLAZA EAST	1122 MOHAWK STREET	MERKHAMER	NY	13501	315-797-8913
12 UTICA, NY	29526	29843 03				WESTGATE PLAZA	50 AUERT AVE.	UTICA	NY	13602	315-735-2427
12 UTICA, NY	29526	29844 03				601 ALBANY STREET	1128 ERIE BLVD. W.	ROME	NY	13440	315-336-6980
12 UTICA, NY	29526	29845 03				3400 SENECA TURNPIKE		LITTLE FALLS	NY	13685	315-823-1280
12 UTICA, NY	29526	29846 03						CANASTOTA	NY	13002	315-887-8372

Company Owned Offices

Reg District	AdminID	OfficedID	Position	First Name	Last Name	Office Address	Office Address Line 2	City	State	Zip	Phone
12 LUTICA, NY	29526	29847/03				4642 - 4666 COMMERCIAL DRIVE PLAZA	4646 COMMERCIAL DRIVE	NEW HARTFORD	NY	13413	315-762-8278
12 LUTICA, NY	29526	30222/03				120 LOMOND COURT		UTICA	NY	13502	315-792-3011
12 LUTICA, NY	29526	30314/03				710 HORATIO ST.		UTICA	NY	13602	315-792-6945
12 LUTICA, NY	29526	30513/03				4765 COMMERCIAL DRIVE		NEW HARTFORD	NY	13413	315-766-2421
12 LUTICA, NY	29526	30609/03				103 NORTH CAROLINE STREET		HERKIMER	NY	13350	315-696-5231
12 LUTICA, NY	29526	30610/03				1294 UPPER LENOX AVE		ONEIDA	NY	13421	315-353-0335
12 FINGER LAKES, NY	29527	29853/03				1001 NORTH ST. STE 3		ENDICOTT	NY	13780	607-748-5330
12 FINGER LAKES, NY	29527	29860/03				GRAND CENTRAL PLAZA	1020 CENTER STREET	HORSEHEADS	NY	14845	607-738-5663
12 FINGER LAKES, NY	29527	29861/03				WEGMANS PLAZA, CLEMENS PARKWAY	1100 CLEMENS CENTER PARKWAY	ELMIRA	NY	14830	607-836-8831
12 FINGER LAKES, NY	29527	29862/03				41 E PULTENEY ST		CORNING	NY	14830	607-734-7783
12 FINGER LAKES, NY	29527	29893/03				209 S. MAIN ST.		ELMIRA	NY	14850	607-273-4078
12 FINGER LAKES, NY	29527	29894/03				730 S. MEADOW STREET		HORSEHEADS	NY	14845	607-796-0396
12 FINGER LAKES, NY	29527	29895/03				ARNOLD MALL		HORSEHEADS	NY	14850	607-257-8791
12 FINGER LAKES, NY	29527	29896/03				PYRAMID MALL		CORTLAND	NY	13045	607-776-7456
12 FINGER LAKES, NY	29527	29897/03				GRDTON AVENUE PLAZA	40 CATHERWOOD RD., SPACE #B03	CORTLAND	NY	14810	607-268-0080
12 FINGER LAKES, NY	29527	29898/03				366 W. WASHINGTON ST.		BATH	NY	14850	607-753-0817
12 FINGER LAKES, NY	29527	29899/03				2300 TRIPHAMMER RD	281 GROTON AVENUE	CORTLAND	NY	14850	607-739-3502
12 FINGER LAKES, NY	29527	30251/03				RIVERSIDE PLAZA		CORTLAND	NY	14850	607-754-7900
12 FINGER LAKES, NY	29527	30252/03				BIG FLATS CONSUMER SQUARE		ELMIRA	NY	14845	607-754-7900
12 FINGER LAKES, NY	29527	30310/03				VISIONS CREDIT UNION LANGDON PLAZA		HORSEHEADS	NY	14845	607-277-5453
12 FINGER LAKES, NY	29527	30311/03				VISIONS CREDIT UNION		HORSEHEADS	NY	14850	607-756-8133
12 FINGER LAKES, NY	29527	30374/03				171 E. STATE STREET	2888 WESTINGHOUSE ROAD, RT 14 SUITE 230	CORTLAND	NY	14803	607-739-4749
12 FINGER LAKES, NY	29527	30670/03				872 ROUTE 13		ELMIRA	NY	12205	518-458-1566
12 ALBANY, NY	29530	29882/03				630 COUNTY ROAD 64	BUILDING 2	COLONIE	NY	12206	518-462-8541
12 ALBANY, NY	29530	29883/03				VILLAGE SQUARE	1770 CENTRAL AVE.	ALBANY	NY	12110	518-785-4941
12 ALBANY, NY	29530	29884/03				165 CENTRAL AVE.		DELMAR	NY	12054	518-295-4444
12 ALBANY, NY	29530	29885/03				578 TROY SCHENECTADY ROAD	LATHAM FARMS	TROY	NY	12180	518-274-4021
12 ALBANY, NY	29530	29886/03				DELAWARE PLAZA	180 DELAWARE AVE.	ALBANY	NY	12208	518-437-0471
12 ALBANY, NY	29530	29887/03				178 SECOND AVENUE		ALBANY	NY	12208	518-437-0471
12 ALBANY, NY	29530	29888/03				107 CONGRESS STREET		ALBANY	NY	12208	518-437-0471
12 ALBANY, NY	29530	29889/03				COLUMBIA PLAZA		ALBANY	NY	12208	518-437-0471
12 ALBANY, NY	29530	29890/03				313 STATE ST.		ALBANY	NY	12208	518-437-0471
12 ALBANY, NY	29530	29891/03				1448 ALTAMONT AVE.		ALBANY	NY	12208	518-437-0471
12 ALBANY, NY	29530	29892/03				COLONIE CENTER	1425 CENTRAL AVE.	ALBANY	NY	12208	518-437-0471
12 ALBANY, NY	29530	29893/03				WESTGATE PLAZA	911 CENTRAL AVE.	ALBANY	NY	12208	518-437-0471
12 ALBANY, NY	29530	29894/03				481 PAWLING AVE		ALBANY	NY	12208	518-437-0471
12 ALBANY, NY	29530	29895/03				SHOPPERS PARK		ALBANY	NY	12208	518-437-0471
12 ALBANY, NY	29530	29896/03				ROTTENDAM SQUARE MALL		ALBANY	NY	12208	518-437-0471
12 ALBANY, NY	29530	29897/03				30 MALL		ALBANY	NY	12208	518-437-0471
12 ALBANY, NY	29530	29898/03				SOCHA PLAZA		ALBANY	NY	12208	518-437-0471
12 ALBANY, NY	29530	29899/03				78 NORTH PEARL ST.		ALBANY	NY	12208	518-437-0471
12 ALBANY, NY	29530	29900/03				10 NEW SCOTLAND AVENUE		ALBANY	NY	12208	518-437-0471
12 ALBANY, NY	29530	29901/03				GRASSTOWN PLAZA		ALBANY	NY	12208	518-437-0471
12 ALBANY, NY	29530	29902/03				582 HOOSICK STREET		ALBANY	NY	12208	518-437-0471
12 ALBANY, NY	29530	29903/03				200 DUTCH MEADOWS LANE		ALBANY	NY	12208	518-437-0471
12 ALBANY, NY	29530	30469/03				278 TROY ROAD		ALBANY	NY	12208	518-437-0471
12 ALBANY, NY	29530	30477/03				311 ROUTE RW		ALBANY	NY	12208	518-437-0471
12 ALBANY, NY	29530	30600/03				141 WASHINGTON EXTENSION		ALBANY	NY	12208	518-437-0471
12 ALBANY, NY	29530	30601/03				1300 ALTAMONT AVENUE		ALBANY	NY	12208	518-437-0471
12 ALBANY, NY	29530	30602/03				579 TROY SCHENECTADY ROAD		ALBANY	NY	12208	518-437-0471
12 ALBANY, NY	29530	30603/03				35-37 N MAIN STREET		ALBANY	NY	12208	518-437-0471
12 ALBANY, NY	29530	30604/03				QUEENSBURY PLAZA		ALBANY	NY	12208	518-437-0471
12 SARATOGA SPRINGS, NY	29531	29811/03					758 GLEN ST.	QUEENSBURY	NY	12804	518-792-4522
12 SARATOGA SPRINGS, NY	29531	29812/03						QUEENSBURY	NY	12804	518-792-4522

Company Owned Offices

Reg District	AdminID	OfficID	Position	First Name	Last Name	Office Address	Office Address Line 2	City	State	Zip	Phone
12 SARATOGA SPRINGS, NY	29531	29013 03				16 E MAIN ST		AMSTERDAM	NY	12010	518-842-0700
12 SARATOGA SPRINGS, NY	29531	29914 03				172-174 MAIN STREET		HUNTERD FALLS	NY	12639	518-747-6228
12 SARATOGA SPRINGS, NY	29531	29915 03				AVIATION MALL	578 AVIATION ROAD, SUITE 338	QUEENSBURY	NY	12804	518-792-3866
12 SARATOGA SPRINGS, NY	29531	29916 03				28 W MAIN STREET		JOHNSTOWN	NY	12095	518-782-8787
12 SARATOGA SPRINGS, NY	29531	29917 03				1065 RT 50, STE 86		SARATOGA SPRINGS	NY	12866	518-587-6888
12 SARATOGA SPRINGS, NY	29531	29918 03				ROUTE 50 WILTON MALL		SARATOGA SPRINGS	NY	12866	518-583-3420
12 SARATOGA SPRINGS, NY	29531	29919 03				PARK PLAZA SHOPPING CENTER	33 PARK PLAZA N CENTRAL AVENUE	MECHANICVILLE	NY	12118	518-864-2210
12 SARATOGA SPRINGS, NY	29531	29920 03				CLIFTON PARK CENTER	23 CLIFTON COUNTRY RD, SUITE 33	CLIFTON PARK	NY	12065	518-383-5813
12 SARATOGA SPRINGS, NY	29531	20021 03				RT 30	111 TOWN SQUARE DRIVE	AMSTERDAM	NY	12010	518-842-0016
12 SARATOGA SPRINGS, NY	29531	29923 03				AVIATION MALL	578 AVIATION ROAD	QUEENSBURY	NY	12804	518-793-739
12 SARATOGA SPRINGS, NY	29531	29924 03				MALTA 9 PLAZA	2372 ROUTE 9	MECHANICVILLE	NY	12118	518-898-3443
12 SARATOGA SPRINGS, NY	29531	30260 03				12031 DOUBLE DAY AVENUE		BALLSTON SPA	NY	12020	518-363-0030
12 SARATOGA SPRINGS, NY	29531	30373 03				1480 BROADWAY #L 30		SARATOGA SPRINGS	NY	12668	518-587-2711
12 SARATOGA SPRINGS, NY	29531	30389 03				3865 MAIN STREET	SUITE 2	WARRENSBURG	NY	12869	518-623-3471
12 SARATOGA SPRINGS, NY	29531	30420 03				WATKINS PLAZA	1874 ROUTE 9	CLIFTON PARK	NY	12076	518-371-1561
12 SARATOGA SPRINGS, NY	29531	30178 03				233 5TH AVE. EXT.		GLOVERSVILLE	NY	12076	518-775-1318
12 SARATOGA SPRINGS, NY	29531	30478 03				16 OLD GICK ROAD		WILTON	NY	12866	518-583-6531
12 SARATOGA SPRINGS, NY	29531	30480 03				891 ROUTE 49		QUEENSBURY	NY	12804	518-788-8561
12 SARATOGA SPRINGS, NY	29531	30481 03				101 SANFORD FARM SHOP. CTR		AMSTERDAM	NY	12010	518-842-3816
12 SARATOGA SPRINGS, NY	29531	30521 03				283 BROADWAY		SARATOGA SPRINGS	NY	12066	518-594-8787
12 SARATOGA SPRINGS, NY	29531	30583 03				MIDTOWN PLAZA	82 MAIN STREET	SOUTH GLENS FALLS	NY	12003	518-708-4592
12 SARATOGA SPRINGS, NY	29531	30612 03				1549 RT 9		HALF MOON	NY	12065	518-373-9457
12 ROCHESTER EAST, NY	29533	29832 03				TOWN & COUNTRY PLAZA	325 HAMILTON STREET	GENEVA	NY	14458	315-788-8552
12 ROCHESTER EAST, NY	29533	29833 03				WEGMANS PLAZA	MILLER & FINCH STREETS	NEWARK	NY	14513	315-331-7232
12 ROCHESTER EAST, NY	29533	29839 03				JAY SCUTTI PLAZA, SOUTH	1000 HYLAN DRIVE	ROCHESTER	NY	14623	585-424-2320
12 ROCHESTER EAST, NY	29533	29940 03				WARING PLAZA	288 WARING ROAD	ROCHESTER	NY	14609	585-544-3994
12 ROCHESTER EAST, NY	29533	29941 03				1008 CULVER ROAD		ROCHESTER	NY	14609	585-288-5658
12 ROCHESTER EAST, NY	29533	29942 03				PARKSIDE COMMONS	2160 PENFIELD ROAD	PENFIELD	NY	14526	585-388-1295
12 ROCHESTER EAST, NY	29533	29943 03				CROSSBRIDGE OFFICE PARK	2000 WINTON RD S, BLDG #1 SUITE 201	ROCHESTER	NY	14618	585-242-7810
12 ROCHESTER EAST, NY	29533	29944 03				881 MONROE AVENUE		ROCHESTER	NY	14620	585-585-5630
12 ROCHESTER EAST, NY	29533	29945 03				COUNTRY CLUB PLAZA	825 FAIRPORT RD	FAIRPORT	NY	14450	585-585-5630
12 ROCHESTER EAST, NY	29533	29946 03				MARKETPLACE MALL	3400 W HENRIETTA ROAD	ROCHESTER	NY	14623	585-272-8750
12 ROCHESTER EAST, NY	29533	29947 03				BAYTOWNE PLAZA	1900 EMPIRE BLVD	WEBSTER	NY	14580	585-671-1411
12 ROCHESTER EAST, NY	29533	29948 03				EASTVIEW MALL	201 EASTVIEW MALL RD.	VICTOR	NY	14594	585-223-3007
12 ROCHESTER EAST, NY	29533	29949 03				PARKWAY PLAZA	67 EASTERN BLVD.	CANANDAIGUA	NY	14424	716-394-2580
12 ROCHESTER EAST, NY	29533	29950 03				1023 NORTH ST		ROCHESTER	NY	14620	585-487-3980
12 ROCHESTER EAST, NY	29533	30258 03				698 SOUTH AVENUE	COMMERCIAL UNIT 72	ROCHESTER	NY	14620	585-506-9940
12 ROCHESTER EAST, NY	29533	30486 03				1200 MARKETPLACE DRIVE		HENRIETTA	NY	14467	585-427-0840
12 ROCHESTER EAST, NY	29533	30487 03				3191 COUNTY ROAD #10		CANANDAIGUA	NY	14424	585-384-7980
12 ROCHESTER EAST, NY	29533	30496 03				690 ROUTE 5 & 20		GENEVA	NY	14456	315-781-5388
12 ROCHESTER EAST, NY	29533	30489 03				1902 EMPIRE BLVD		WEBSTER	NY	14590	585-671-7140
12 ROCHESTER EAST, NY	29533	30490 03				8768 RT 31 EAST		NEWARK	NY	14513	315-331-6056
12 ROCHESTER EAST, NY	29533	30588 03				TOP BRIGHTON PLAZA	1900 CLINTON AVENUE SOUTH	BRIGHTON	NY	14610	585-242-7820
12 SYRACUSE, NY	30434	29830 03				WESTSIDE PLAZA	337 W. GENESEE STREET, STE 3A	AUBURN	NY	13021	315-255-3341
12 SYRACUSE, NY	30434	29831 03				LIBERTY CENTER PLAZA	RT 6 & 20, SUITE 13	GENEVA FALLS	NY	13148	315-568-8682
12 SYRACUSE, NY	30434	29832 03				AUBURN PLAZA SHOPPING CENTER	180 GRANT AVENUE, SUITE 11A	AUBURN	NY	13021	315-255-8801
12 SYRACUSE, NY	30434	30436 03				FINGERLAKES MALL	1578 CLARK ST.	AUBURN	NY	13022	315-268-8583
12 SYRACUSE, NY	30434	30438 03				115 SHOP CITY MALL	1802 TEAL AVENUE	SYRACUSE	NY	13208	315-463-1835
12 SYRACUSE, NY	30434	30437 03				113 E. TAFT ROAD		NORTH SYRACUSE	NY	13212	315-458-3477
12 SYRACUSE, NY	30434	30438 03				4300 S. SALINA STREET		SYRACUSE	NY	13205	315-482-1217
12 SYRACUSE, NY	30434	30439 03				SHOPPINGTOWN MALL	3649 ERIE BLVD., SPACE #75	DE WITT	NY	13214	315-448-0068
12 SYRACUSE, NY	30434	30440 03				ROUTE 104 E. OSWEGO PLAZA		OSWEGO	NY	13128	315-343-1320
12 SYRACUSE, NY	30434	30441 03				2140 W. GENESEE STREET		SYRACUSE	NY	13219	315-484-1201

Company Owned Offices

Reg District	AdminID	OfficID	Position	First Name	Last Name	Office Address	Office Address Line 2	City	State	Zip	Phone
12 SYRACUSE, NY	30434	30442	03			214 W. GENESEE STREET		FAYETTEVILLE	NY	13066	315-637-1537
12 SYRACUSE, NY	30434	30443	03			807 OSWEGO ROAD PLAZA, UNIT C		CLAY	NY	13041	315-652-1369
12 SYRACUSE, NY	30434	30444	03			198 SOUTH SECOND STREET		FULTON	NY	13009	315-553-2100
12 SYRACUSE, NY	30434	30446	03			2768 STATE ROUTE 48 WEST		MONROE	NY	13167	315-888-6300
12 SYRACUSE, NY	30434	30447	03			4729 ONONDAGA BLVD.		SYRACUSE	NY	13218	315-472-2504
12 SYRACUSE, NY	30434	30448	03			ROUTE 13, AMES PLAZA		PULASKI	NY	13142	315-288-6108
12 SYRACUSE, NY	30434	30449	03			GREAT NORTHERN MALL	4155 ROUTE 31, SUITE G-118	CLAY	NY	13041	315-652-0209
12 SYRACUSE, NY	30434	30450	03			FAIRMONT COMMONS	3548 W GENESEE ST	SYRACUSE	NY	13219	315-488-8255
12 SYRACUSE, NY	30434	30451	03			LIVERPOOL PLAZA	6178 OLD LIVERPOOL ROAD, STORE #B	LIVERPOOL	NY	13088	315-706-0010
12 SYRACUSE, NY	30434	30452	03			3812 JAMES STREET		SYRACUSE	NY	13208	315-432-0511
12 SYRACUSE, NY	30434	30475	03			3848 ERIE BLVD		DE WITT	NY	13214	315-448-4060
12 SYRACUSE, NY	30434	30476	03			4155 RTE 31		CLAY	NY	13041	315-652-3104
12 SYRACUSE, NY	30434	30477	03			297 GRANT AVENUE		ALBURN	NY	13021	315-252-4668
12 SYRACUSE, NY	30434	30483	03			3949 ROUTE 31		CLAY	NY	13041	315-652-3104
12 SYRACUSE, NY	30434	30494	03			341 ROUTE 104 EAST		OSWEGO	NY	13126	315-343-3788
12 SYRACUSE, NY	30434	30495	03			6438 BASILE ROWE	EAST SYRACUSE	EAST SYRACUSE	NY	13057	315-437-1169
12 SYRACUSE, NY	30434	30496	03			3657 WEST GENESEE STREET		CAMILLUS	NY	13031	315-488-4032
12 SYRACUSE, NY	30434	30498	03			3018 EAST AVENUE		CENTRAL SQUARE	NY	13096	315-978-3930
12 SYRACUSE, NY	30434	30520	03			472 S SALINA STREET		CICERO	NY	13202	315-423-8464
12 SYRACUSE, NY	30434	30581	03			5809 ROUTE STREET 31		SYRACUSE	NY	13038	315-699-7417
12 SYRACUSE, NY	30434	30582	03			515 N. SALINA STREET		SYRACUSE	NY	13208	315-422-0593
12 SYRACUSE, NY	30434	30608	03			1855 STATE ROUTE 5 & 20		WATERLOO	NY	13165	315-436-2188
12 VERMONT	44052	30464	03			79 HAMMOND LANE	60 SMITHFIELD BLVD	PLATTSBURGH	NY	12901	918-953-9690
12 VERMONT	44052	30465	03			CHAMPLAIN CENTER NORTH		PLATTSBURGH	NY	12901	918-956-3742
12 VERMONT	44052	30466	03			25 CONSUMER SQUARE		PLATTSBURGH	NY	12901	918-956-3742
13 ERIE, PA.	36513	29827	03			770 FOOTE AVE		JAMESTOWN	NY	14701	716-488-0118
13 ERIE, PA.	36513	29828	03			1375 EAST SECOND ST.		JAMESTOWN	NY	14701	716-665-2105
13 ERIE, PA.	36513	30388	03			1800 WASHINGTON STREET		JAMESTOWN	NY	14701	716-487-1407
13 WILKES BARRE, PA.	36516	28651	03			FOUNDRY PLAZA	110 GLENWOOD AVE	BINGHAMTON	NY	13903	607-728-4467
13 WILKES BARRE, PA.	36516	28654	03			BINGHAMTON PLAZA	33 W STATE STREET	BINGHAMTON	NY	13901	607-723-1092
13 WILKES BARRE, PA.	36516	28655	03			42 WEST MAIN STREET		OWEGO	NY	13927	607-687-4677
13 WILKES BARRE, PA.	36516	28656	03			EMPIRE PLAZA	1281 FRONT STREET	BINGHAMTON	NY	13906	607-724-4566
13 WILKES BARRE, PA.	36516	28657	03			1185-1187 VESTAL AVE	501 REYNOLDS RD.	BINGHAMTON	NY	13900	607-724-4566
13 WILKES BARRE, PA.	36516	28658	03			PRICE CHOPPER PLAZA		JOHNSON CITY	NY	13780	607-724-6507
13 WILKES BARRE, PA.	36516	30231	03			PARKWAY SQUARE		BINGHAMTON	NY	13903	607-724-6507
13 WILKES BARRE, PA.	36516	30384	03			VISIONS CREDIT UNION	1001 NORTH ST, STE 3	ENDICOTT	NY	13760	607-754-6393
13 WILKES BARRE, PA.	36516	30507	03			VISIONS CREDIT UNION	1250 VESTAL PARKWAY EAST	VESTAL	NY	13851	607-785-7837
13 WILKES BARRE, PA.	36516	30508	03			VISIONS CREDIT UNION	3301 COUNTRY CLUB ROAD	ENDWELL	NY	13760	607-754-7800
13 WILKES BARRE, PA.	36516	30509	03			VISIONS CREDIT UNION	24 MCKINLEY AVENUE	ENDICOTT	NY	13760	607-754-7800
17 BROOKLYN #01, NY	29508	29603	03			385 FLATBUSH AVE EXTENSION	ROUTE 17C	BROOKLYN	NY	11201	907-754-7800
17 BROOKLYN #01, NY	29508	29604	03			287 LIVINGSTON STREET		BROOKLYN	NY	11217-1001	718-624-1151
17 BROOKLYN #01, NY	29508	29605	03			251 UTICA AVENUE		BROOKLYN	NY	11213	718-237-1324
17 BROOKLYN #01, NY	29508	29606	03			781 BROADWAY		BROOKLYN	NY	11211	718-467-6926
17 BROOKLYN #01, NY	29508	29607	03			272 BROADWAY		BROOKLYN	NY	11223	718-388-8490
17 BROOKLYN #01, NY	29508	29608	03			782 MANHATTAN AVE		BROOKLYN	NY	11223	718-389-6658
17 BROOKLYN #01, NY	29508	29609	03			218 ATLANTIC AVENUE		BROOKLYN	NY	11221	718-243-1800
17 BROOKLYN #01, NY	29508	29612	03			300 WYCKOFF AVE		BROOKLYN	NY	11237	718-821-7737
17 BROOKLYN #01, NY	29508	29613	03			1422 MYRTLE AVE		BROOKLYN	NY	11237	718-573-9607
17 BROOKLYN #01, NY	29508	29615	03			1891 PITKIN AVE		BROOKLYN	NY	11212	718-489-8868
17 BROOKLYN #01, NY	29508	29616	03			328 9TH STREET		BROOKLYN	NY	11215	718-768-1933
17 BROOKLYN #01, NY	29508	29660	03			837C PENNSYLVANIA AVENUE		BROOKLYN	NY	11207	718-272-2811
17 BROOKLYN #01, NY	29508	30248	03			500-504 NOSTRAND AVENUE		BROOKLYN	NY	11216	718-822-3133
17 BROOKLYN #01, NY	29508	30238	03			397 FLATBUSH AVENUE		BROOKLYN	NY	11238	718-789-0992

Company Owned Offices

Reg District	AdminID	OfficeID	Position	Frist Name	Last Name	Office Address	Office Address Line 2	City	State	Zip	Phone
17/BROOKLYN #01, NY	29500	30563 03				1312 BROADWAY		BROOKLYN	NY	11221	718-573-2119
17/BRONX #01, NY	29510	29619 03				2438 JEROME AVE.		BRONX	NY	10468	718-387-8611
17/BRONX #01, NY	29510	29820 03				5675 BROADWAY		BRONX	NY	10463	718-548-8100
17/BRONX #01, NY	29510	29821 03				1542 EAST FORDHAM ROAD		BRONX	NY	10468	718-329-3511
17/BRONX #01, NY	29510	29823 03				12477 GRAND CONCOURSE		BRONX	NY	10468	718-220-1040
17/BRONX #01, NY	29510	29824 03				3738 RIVERDALE AVENUE		BRONX	NY	10463	718-548-7688
17/BRONX #01, NY	29510	29825 03				400 EAST FORDHAM ROAD		BRONX	NY	10459	718-384-3843
17/BRONX #01, NY	29510	29826 03				278-281 EAST 204TH STREET		BRONX	NY	10467	718-547-8419
17/BRONX #01, NY	29510	29827 03				24 W KINGSBRIDGE RD		BRONX	NY	10468	718-584-8787
17/BRONX #01, NY	29510	29828 03				3448 JEROME AVE		BRONX	NY	10467	718-324-7607
17/BRONX #01, NY	29510	30217 03				761 EAST TREMONT AVE		BRONX	NY	10460	718-294-8732
17/BRONX #01, NY	29510	30245 03				1745 UNIVERSITY AVENUE		BRONX	NY	10453	718-583-3780
17/BRONX #01, NY	29510	30387 03				2054 JEROME AVENUE		BRONX	NY	10453	718-329-8632
17/BRONX #01, NY	29510	30543 03				3-5 BEDFORD PARK BOULEVARD		BRONX	NY	10468	718-563-2051
17/BRONX #02, NY	29512	29630 03				2320 ARTHUR AVENUE		BRONX	NY	10451	718-733-0611
17/BRONX #02, NY	29512	29631 03				67 E. 161ST STREET, SUITE 6		BRONX	NY	10451	718-681-1460
17/BRONX #02, NY	29512	29635 03				348 E. 148TH STREET		BRONX	NY	10455	718-292-2232
17/BRONX #02, NY	29512	29640 03				1878 CROSS BRONX EXPWY		BRONX	NY	10472	718-328-8788
17/BRONX #02, NY	29512	29642 03				56 EAST 161ST ST		BRONX	NY	10451	718-585-3594
17/BRONX #02, NY	29512	29646 03				880 EAST 163RD STREET		BRONX	NY	10459	718-292-3597
17/BRONX #02, NY	29512	30249 03				1517 EAST 138TH STREET		BRONX	NY	10462	718-004-8102
17/BRONX #02, NY	29512	30300 03				1943-1953 WESTCHESTER AVENUE		BRONX	NY	10459	718-328-1242
17/BRONX #02, NY	29512	30472 03				1000 SOUTHERN BLVD.	10 HORIZON PLAZA	BRONX	NY	10460	718-880-1541
17/BRONX #02, NY	29512	30553 03				NEW HORIZONS SHOPPING CENTER		BRONX	NY	10451	718-890-1341
17/BROOKLYN #02, NY	29512	29653 03				231 E. 167TH STREET		BRONX	NY	10456	718-982-0861
17/BROOKLYN #02, NY	29513	29654 03				7511 FIFTH AVE.		BROOKLYN	NY	11209	718-748-2888
17/BROOKLYN #02, NY	29513	29652 03				7423 13TH AVENUE		BROOKLYN	NY	11220	718-296-1040
17/BROOKLYN #02, NY	29513	29653 03				6013 5TH AVENUE		BROOKLYN	NY	11223	718-492-0325
17/BROOKLYN #02, NY	29513	29654 03				297 KINGS HIGHWAY		BROOKLYN	NY	11219	718-435-8365
17/BROOKLYN #02, NY	29513	29655 03				4303 13TH AVENUE		BROOKLYN	NY	11214	718-996-4718
17/BROOKLYN #02, NY	29513	29656 03				2242 66TH STREET		BROOKLYN	NY	11204	718-331-3442
17/BROOKLYN #02, NY	29513	29657 03				7014 18TH AVENUE		BROOKLYN	NY	11209	718-238-4344
17/BROOKLYN #02, NY	29513	29658 03				8508 4TH AVENUE		BROOKLYN	NY	11209	718-645-1140
17/BROOKLYN #02, NY	29513	29659 03				512 BRIGHTON BEACH AVE		BROOKLYN	NY	11224	718-372-1814
17/BROOKLYN #02, NY	29513	30540 03				US SKATES SHOPPING CENTER	1280 HICKSVILLE ROAD	SEAFORD	DE	11783	516-788-1244
17/BROOKLYN #02, NY	29514	29663 03				BEYPAGE PLAZA SHOPPING CENTER	580 STEVART AVE	SEAFORD	DE	11714	516-035-5861
17/BROOKLYN #02, NY	29514	29664 03				LEVITOWN MENS SHOPPING CENTER	3357 HEMPSTEAD TURNPIKE	LEVITOWN	NY	11758	516-735-7234
17/BROOKLYN #02, NY	29514	29665 03				204 WEST OLD COUNTRY RD.		HICKSVILLE	NY	11710	516-433-5818
17/BROOKLYN #02, NY	29514	29666 03				2828 JERUSALEM AVENUE, SUITE 8		NORTH BELMORE	NY	11735	516-293-7818
17/BROOKLYN #02, NY	29514	29668 03				343 CONKLIN ST		FARMINGDALE	NY	11801	516-835-8320
17/BROOKLYN #02, NY	29514	29669 03				185 NORTH BROADWAY		HICKSVILLE	NY	11801	516-835-8320
17/BROOKLYN #02, NY	29514	29671 03				SUNRISE MALL	SEARS 800 SUNRISE HIGHWAY	MASSAPEQUA	NY	11758	516-785-2305
17/BROOKLYN #02, NY	29514	29668 03				218 FOREST AVENUE		GLEN COVE	NY	11542	516-749-0033
17/BROOKLYN #02, NY	29514	29700 03				251 A POST AVE		WESTBURY	NY	11590	516-334-1040
17/BROOKLYN #02, NY	29514	29700 03				113 W SUNRISE HWY		FREEPORT	NY	11620	516-546-1551
17/BROOKLYN #02, NY	29514	29710 03				BALDWIN PLAZA SHOPPING CENTER	670 SUNRISE HWY., STORE #10A	BALDWIN	NY	11510	516-546-5466
17/BROOKLYN #02, NY	29514	30482 03				200 SUNRISE MALL		MASSAPEQUA	NY	11758	516-787-4381
17/BROOKLYN #02, NY	29514	30567 03				MICADONBROOK SQUARE		EAST MEADOW	NY	11554	516-784-4218
17/BROOKLYN #02, NY	29514	30598 03				2465 HEMPSTEAD TURNPIKE		EAST MEADOW	NY	11554	516-785-1126
17/BROOKLYN #03, NY	29515	29872 03				3003 CHURCH AVENUE		BROOKLYN	NY	11203	718-342-8687

Company Owned Offices

Reg District	AdminID	OfficID	Position	First Name	Last Name	Office Address	Office Address Line 2	City	State	Zip	Phone
17/BROOKLYN #03, NY	29515	29673	03			1597 FLATBUSH AVENUE		BROOKLYN	NY	11210	718-434-5238
17/BROOKLYN #03, NY	29515	29674	03			9618 FLATLANDS AVENUE		BROOKLYN	NY	11218	718-272-1915
17/BROOKLYN #03, NY	29515	29675	03			1526 SHEEPSHEAD DAY RD		BROOKLYN	NY	11235	718-891-9238
17/BROOKLYN #03, NY	29515	29676	03			2007 FLATBUSH AVE		BROOKLYN	NY	11234	718-377-5991
17/BROOKLYN #03, NY	29515	29677	03			1910 KINGS HIGHWAY		BROOKLYN	NY	11229	718-336-2316
17/BROOKLYN #03, NY	29515	29679	03			1250 AVENUE U		BROOKLYN	NY	11229	718-396-2961
17/BROOKLYN #03, NY	20515	29680	03			GEORGETOWN SHOPPING CENTER	2141 RALPH AVENUE	BROOKLYN	NY	11234	718-251-8443
17/BROOKLYN #03, NY	29515	29681	03			771 CONEY ISLAND AVE		BROOKLYN	NY	11218	718-693-1100
17/BROOKLYN #03, NY	29515	29682	03			DEPORD AVE & BEVERLY RD		BROOKLYN	NY	11228	718-489-1014
17/BROOKLYN #03, NY	29515	29683	03			787 FLATBUSH AVE		BROOKLYN	NY	11228	718-856-8940
17/BROOKLYN #03, NY	29515	29684	03			SEA VIEW PLAZA SHOPPING CENTER	9710 SEAVIEW AVENUE	BROOKLYN	NY	11238	718-444-5511
17/BROOKLYN #03, NY	29515	29685	03			3766 NOSTRAND AVE		BROOKLYN	NY	11235	718-332-8113
17/BROOKLYN #03, NY	29515	29686	03			FLATBUSH AVE & AVE. U		BROOKLYN	NY	11234	718-538-8467
17/BROOKLYN #03, NY	29515	30988	03			1722 CHURCH AVENUE		BROOKLYN	NY	11228	718-841-2418
17/BROOKLYN #03, NY	29516	29687	03			307 CHURCH AVENUE		BROOKLYN	NY	11218	718-653-0401
17/MANHATTAN #01, NY	20516	29688	03			136 EAST 43RD ST		NEW YORK	NY	10174	212-963-0950
17/MANHATTAN #01, NY	29516	29689	03			44 EAST 23RD STREET		NEW YORK	NY	10010	212-460-5533
17/MANHATTAN #01, NY	29516	29690	03			571 SECOND AVENUE		NEW YORK	NY	10016	212-785-4970
17/MANHATTAN #01, NY	29516	29691	03			920 THIRD AVE.	2ND FLOOR	NEW YORK	NY	10022	212-785-4882
17/MANHATTAN #01, NY	29516	29692	03			1224 SECOND AVE.		NEW YORK	NY	10021	212-678-7840
17/MANHATTAN #01, NY	29516	29693	03			1247 LEXINGTON AVE.		NEW YORK	NY	10028	212-366-8133
17/MANHATTAN #01, NY	29516	29694	03			5 EAST 8TH STREET		NEW YORK	NY	10003	212-777-8321
17/MANHATTAN #01, NY	29516	29695	03			250 EAST HOUSTON STREET		NEW YORK	NY	10002	212-253-2569
17/MANHATTAN #01, NY	20516	30229	03			345 EAST 94TH STREET		NEW YORK	NY	10128	212-426-7127
17/MANHATTAN #01, NY	29516	30255	03			323 FIRST AVENUE		NEW YORK	NY	10009	212-359-0800
17/MANHATTAN #01, NY	29516	30256	03			99 PARK AVENUE		NEW YORK	NY	10018	212-887-6340
17/MANHATTAN #01, NY	29516	30360	03			78 AVENUE D		NEW YORK	NY	10009-8050	212-614-9620
17/MANHATTAN #01, NY	29516	30544	03			820 SECOND AVENUE		NEW YORK	NY	10017	212-699-1070
17/MANHATTAN #01, NY	29516	30581	03			1240 LEXINGTON AVENUE		NEW YORK	NY	10028	212-472-0018
17/MASSAU #1, NY	29517	29695	03			NEW HYDE PARK PLAZA	2063 HILLSIDE AVENUE	NEW HYDE PARK	NY	11040	516-775-2442
17/MASSAU #1, NY	29517	29699	03			LAKE SUCCESS MALL	1400 UNION TURNPIKE	LAKE SUCCESS	NY	11550	516-437-2005
17/MASSAU #1, NY	29517	29702	03			42 NO FRANKLIN STREET, STORE #3		HEMPSTEAD	NY	11550	516-292-0874
17/MASSAU #1, NY	29517	29703	03			98 FRANKLIN AVE		FRANKLIN SQUARE	NY	11010	516-328-1040
17/MASSAU #1, NY	29517	29704	03			2034 GREEN ACRES MALL #16		VALLEY STREAM	NY	11581	516-561-8181
17/MASSAU #1, NY	29517	29706	03			123 ROCKAWAY AVENUE		VALLEY STREAM	NY	11580	516-872-9779
17/MASSAU #1, NY	29517	29708	03			GREEN ACRES MALL		VALLEY STREAM	NY	11581	516-835-8688
17/MASSAU #1, NY	29517	29709	03			347274 LONG BEACH ROAD		OCEANSIDE	NY	11672-3440	516-678-1331
17/MASSAU #1, NY	29517	29710	03			47 MINEOLA BOULEVARD		MINEOLA	NY	11501	516-795-0877
17/MASSAU #1, NY	29517	30269	03			983 PORT WASHINGTON BLVD		PORT WASHINGTON	NY	11050	516-944-9886
17/MASSAU #1, NY	29517	30270	03			14 WESTINGHOUSE ROAD		WEST WASHINGTON	NY	11552	516-505-4940
17/MASSAU #1, NY	29517	30522	03			273 BURNSIDE AVENUE		LAWRENCE	NY	11559	516-529-5333
17/MASSAU #1, NY	29517	30534	03			71 ATLANTIC AVENUE		LYNBRÖOK	NY	11589	516-823-4523
17/MASSAU #1, NY	29517	30535	03			160 SUNRISE HIGHWAY		ROCKVILLE CENTRE	NY	11570	516-561-7469
17/MASSAU #1, NY	29517	30590	03			1111 FRANKLIN AVENUE		GARDEN CITY	NY	11530	516-739-0888
17/MASSAU #1, NY	29517	30611	03			78 EAST MAIN ST., STORE 1		SMITH TOWN	NY	11787	631-975-0819
17/SUFFOLK #2, NY	29518	29713	03			SELDEN PLAZA	245 MIDDLE COUNTY ROAD	SELDEN	NY	11784	631-895-1460
17/SUFFOLK #2, NY	29518	29715	03			PORT PLAZA	1102 ROUTE 112	PORT JEFFERSON STA	NY	11778	631-828-3817
17/SUFFOLK #2, NY	29518	29721	03			SMITHAVEN MALL		LAKE GROVE	NY	11755	631-724-2460
17/SUFFOLK #2, NY	29518	29722	03			88 EAST MAIN STREET		PATCHOGUE	NY	11772	631-964-6448
17/SUFFOLK #2, NY	29518	29723	03			KOHL'S SHOPPING CENTER		LAKE RONKONKOMA	NY	11779	631-487-7946
17/SUFFOLK #2, NY	29518	29725	03			MAJESTIC CORNERS	137A RONKONKOMA AVE.	SHIRLEY	NY	11867	631-281-4116
17/SUFFOLK #2, NY	29518	29727	03			PECONIC PLAZA	800 MONTAUK HIGHWAY	RIVERHEAD	NY	11901	631-727-0175
17/SUFFOLK #2, NY	29518	29732	03			BOHEMIA COMMONS	4831 SUNRISE HIGHWAY	BOHEMIA	NY	11716	631-244-0201

Company Owned Offices

Reg ID	District	AdminID	OfficeID	Position	First Name	Last Name	Office Address	Office Address Line 2	City	State	Zip	Phone
17	SUFFOLK 2, NY	29518	30519/03				181 CENTEREACH MALL	284 MIDDLE COUNTRY ROAD, SUITE J	CENTEREACH	NY	11720	631-467-8196
17	SUFFOLK 2, NY	29518	30533/03				CORAM PLAZA		GREENPORT	NY	11727	631-736-1639
17	SUFFOLK 2, NY	29518	30551/03				110 FRONT STREET		GREENPORT	NY	11844	631-477-4108
17	SUFFOLK 2, NY	29518	30556/03				STRATHMORE COMMONS	1273 MIDDLE COUNTRY ROAD	MIDDLE ISLAND	NY	11853	631-924-3387
17	SUFFOLK 2, NY	29518	30596/03				MANORVILLE TOWNE CENTER	460 COUNTY ROAD 111, SUITE 14	MANORVILLE	NY	11949	631-976-5136
17	SUFFOLK 2, NY	29518	30598/03				750 MIDDLE COUNTRY ROAD		MIDDLE ISLAND	NY	11853	631-345-0818
17	QUEENS #01, NY	29518	29725/03				249 18 HILLSIDE AVE.		BELLEROSE	NY	11426	718-343-6554
17	QUEENS #01, NY	29518	29726/03				134 36 NORTHERN BLVD.		FLUSHING	NY	11354	718-966-3860
17	QUEENS #01, NY	29518	29731/03				218 19 JAMAICA AVE		QUEENS VILLAGE	NY	11429	718-479-7470
17	QUEENS #01, NY	29518	29739/03				78 04 MAIN STREET		FLUSHING	NY	11367	718-793-8888
17	QUEENS #01, NY	29518	29741/03				25 54 FRANCIS LEWIS BLVD		FLUSHING	NY	11359	718-356-3088
17	QUEENS #01, NY	29518	29742/03				44 11 KISSENA BLVD		FLUSHING	NY	11355	718-445-2750
17	QUEENS #01, NY	29518	29743/03				42 04 BELL BLVD		BAYSIDE	NY	11361	718-225-8408
17	QUEENS #01, NY	29518	29744/03				157 12 NORTHERN BLVD		FLUSHING	NY	11354	718-358-4946
17	QUEENS #01, NY	29518	29746/03				147 44 JAMAICA AVENUE		JAMAICA	NY	11432	718-291-1040
17	QUEENS #01, NY	29518	29747/03				190 16 HILLSIDE AVE		JAMAICA	NY	11432	718-523-4690
17	QUEENS #01, NY	29518	29751/03				205 04A HILLSIDE AVE		HOLLIS	NY	11423	718-465-6889
17	QUEENS #01, NY	29518	29752/03				153 34A HILLSIDE AVE		JAMAICA	NY	11432	718-657-3242
17	QUEENS #01, NY	29518	30396/03				205 01 LINDEN BLVD		ST. ALBANS	NY	11412	718-527-1806
17	QUEENS #01, NY	29518	30397/03				182 04 HORACE HARDING EXPRESSWAY		FLUSHING	NY	11365	718-538-0630
17	QUEENS #03, NY	29521	29775/03				178 08 UNION TURNPIKE		FLUSHING	NY	11368	718-580-2324
17	QUEENS #03, NY	29521	29776/03				87 05 111TH STREET		FOREST HILLS	NY	11375-7052	718-266-4011
17	QUEENS #03, NY	29521	29777/03				72 08 AUSTIN STREET		FOREST HILLS	NY	11416	718-446-5000
17	QUEENS #03, NY	29521	29778/03				94 16 63RD DRIVE		REGO PARK	NY	11375	718-266-6116
17	QUEENS #03, NY	29521	29780/03				260 BEACH 116TH ST		ROCKAWAY PARK	NY	11374	718-997-9850
17	QUEENS #03, NY	29521	29781/03				ROCKAWAY SHOPPING CENTER	20-32 MOIT AVENUE	FAR ROCKAWAY	NY	11682	718-471-2650
17	QUEENS #03, NY	29521	29782/03				125-02 LIBERTY AVE		RICHMOND HILL	NY	11419	718-738-8600
17	QUEENS #03, NY	29521	29783/03				120-20A8 MERRICK BLVD.		JAMAICA	NY	11434	718-527-1980
17	QUEENS #03, NY	29521	29786/03				78-03 101ST AVENUE		OZONE PARK	NY	11417	718-841-8305
17	QUEENS #03, NY	29521	29788/03				98-05 QUEENS BLVD		OZONE PARK	NY	11374	718-997-6598
17	QUEENS #03, NY	29521	30291/03				105-52 CROSSBAY BOULEVARD		OZONE PARK	NY	11417-1519	718-835-1040
17	QUEENS #03, NY	29521	30560/03				228 21B MERRICK BOULEVARD		OZONE PARK	NY	11413	718-276-2123
17	QUEENS #04, NY	29522	29790/03				3608 30TH AVE		ASTORIA	NY	11103	718-274-8084
17	QUEENS #04, NY	29522	29791/03				214-77 31 STREET		ASTORIA	NY	11105	718-721-6992
17	QUEENS #04, NY	29522	29793/03				6028 ROOSEVELT AVENUE		WOODSIDE	NY	11377	718-426-1222
17	QUEENS #04, NY	29522	29794/03				403 QUEENS BLVD.		SUNNYSIDE	NY	11104	718-28-9091
17	QUEENS #04, NY	29522	29795/03				1373 BROADWAY		ASTORIA	NY	11103	718-274-1483
17	QUEENS #04, NY	29522	29796/03				6713 FRESH POND ROAD		RIDGEWOOD	NY	11365	718-448-3373
17	QUEENS #04, NY	29522	29798/03				6611 GRAND AVE		MASPETH	NY	11378	718-458-2443
17	QUEENS #04, NY	29522	28801/03				8420 NORTHERN BLVD.		JACKSON HEIGHTS	NY	11372	718-478-9858
17	QUEENS #04, NY	29522	30432/03				47 EAST CENTRAL AVENUE		ASTORIA	NY	11103	718-956-1855
17	WESTCHESTER 1, NY	29528	29871/03				2810 STERNWAY STREET		MT KISCO	NY	10940	845-941-0813
17	WESTCHESTER 1, NY	29528	29872/03				35 WEST MAIN STREET		PEEKSKILL	NY	10968	845-368-5343
17	WESTCHESTER 1, NY	29528	29873/03				1027 PARK AVENUE		PEEKSKILL	NY	10968	845-368-5343
17	WESTCHESTER 1, NY	29528	29876/03				158 NORTH MAIN STREET		JEFFERSON VALLEY	NY	10573	814-937-3274
17	WESTCHESTER 1, NY	29528	29878/03				RT. 8 AND LEE BLVD.		PEARL RIVER	NY	10965	845-368-5343
17	WESTCHESTER 1, NY	29528	29879/03				AIRMONT PLAZA	200 ROUTE 59, STORE #18	SUFFERN	NY	10954	845-437-2414
17	WESTCHESTER 1, NY	29528	29876/03				8 MANUET MALL		MANUET	NY	10927	845-941-1088
17	WESTCHESTER 1, NY	29528	29877/03				238 ROUTE 9W		HAVERTHAW	NY	10984	845-368-5343
17	WESTCHESTER 1, NY	29528	29877/03				PALISADES CENTER	1342 PALISADES CTR DR, SPACE A-103	WEST NYACK	NY	10984	845-368-5343

Company Owned Offices

Reg District	AdminID	OfficeID	Position	First Name	Last Name	Office Address	City	State	Zip	Phone
17 WESTCHESTER 1, NY	29528	30364	03			ARCADIAN SHOPPING CENTER	OSSINING	NY	10562-8155	914-752-1861
17 WESTCHESTER 1, NY	29528	30631	03			33 MAMARONECK AVENUE	WHITE PLAINS	NY	10601	914-688-3777
17 WESTCHESTER 1, NY	29528	30547	03			THE MADONNA BUILDING	PLEASANTVILLE	NY	10570	914-747-1848
17 WESTCHESTER 1, NY	29528	30548	03			201-203 MARBLE AVENUE	POMONA	NY	10870	945-362-0692
17 MANHATTAN #02, NY	29532	29925	03			PACSETTER PARK PLAZA	NEW YORK	NY	10038	212-227-7745
17 MANHATTAN #02, NY	29532	29926	03			93 JOHN ST	NEW YORK	NY	10011	212-229-2148
17 MANHATTAN #02, NY	29532	29928	03			144 W 14TH STREET	NEW YORK	NY	10011	212-821-4108
17 MANHATTAN #02, NY	29532	29931	03			360 WEST 31ST STREET, STE. 801	NEW YORK	NY	10018	212-857-7647
17 MANHATTAN #02, NY	29532	29933	03			555 SEVENTH AVENUE	NEW YORK	NY	10023	212-799-2134
17 MANHATTAN #02, NY	29532	29935	03			116 W 72ND ST	NEW YORK	NY	10023	212-857-7647
17 MANHATTAN #02, NY	29532	29937	03			342 WEST 67TH STREET	NEW YORK	NY	10010	212-857-7647
17 MANHATTAN #02, NY	29532	29938	03			52 DUANE ST	NEW YORK	NY	10007	212-503-1680
17 MANHATTAN #02, NY	29532	30292	03			475 NINTH AVENUE	NEW YORK	NY	10018	846-475-0366
17 MANHATTAN #02, NY	29532	30304	03			170 WEST 23RD STREET	NEW YORK	NY	10004	212-206-9005
17 MANHATTAN #02, NY	29532	30304	03			30 BROAD STREET	NEW YORK	NY	10004	212-785-1215
17 MANHATTAN #02, NY	29532	30405	03			360 WEST 31ST STREET	NEW YORK	NY	10001	212-643-8200
17 MANHATTAN 3, NY	30243	29822	03			SUITE 901	NEW YORK	NY	10003	212-825-1633
17 MANHATTAN 3, NY	30243	29829	03			BET. AUDUBON & AMSTERDAM AVES	NEW YORK	NY	10003	212-869-8604
17 MANHATTAN 3, NY	30243	29830	03			200 DYCKMAN ST.	NEW YORK	NY	10037	212-869-8604
17 MANHATTAN 3, NY	30243	29830	03			580 & 582 LENOX AVE.	NEW YORK	NY	10025	212-234-1233
17 MANHATTAN 3, NY	30243	29833	03			3200 BROADWAY	NEW YORK	NY	10025	212-884-5095
17 MANHATTAN 3, NY	30243	29833	03			750 COLUMBUS AVE	NEW YORK	NY	10023	212-886-5100
17 MANHATTAN 3, NY	30243	29834	03			20 WEST 128TH STREET	NEW YORK	NY	10027	212-860-8605
17 MANHATTAN 3, NY	30243	29836	03			3471 BROADWAY, SUITES 7 & 8	NEW YORK	NY	10031	917-507-3602
17 MANHATTAN 3, NY	30243	30208	03			1685 LEXINGTON AVE.	NEW YORK	NY	10029	212-410-7704
17 MANHATTAN 3, NY	30243	30246	03			1325 FIFTH AVENUE	NEW YORK	NY	10029	212-209-9015
17 MANHATTAN 3, NY	30243	30247	03			2342 FREDERICK DOUGLAS	NEW YORK	NY	10027	212-222-8011
17 STATEN ISLAND, NY	30456	30457	03			2322 SEVENTH AVENUE, UNIT 1	NEW YORK	NY	10030	212-928-0106
17 STATEN ISLAND, NY	30456	30458	03			138 BAY STREET	STATEN ISLAND	NY	10301	718-273-7577
17 STATEN ISLAND, NY	30456	30459	03			3636 RICHMOND AVE.	STATEN ISLAND	NY	10302	718-356-3794
17 STATEN ISLAND, NY	30456	30460	03			STATEN ISLAND MALL	STATEN ISLAND	NY	10304	718-494-8414
17 STATEN ISLAND, NY	30456	30461	03			425 FOREST AVE	STATEN ISLAND	NY	10306	718-442-3330
17 STATEN ISLAND, NY	30456	30463	03			322A NEW DORP LANE	STATEN ISLAND	NY	10302	718-987-1888
17 STATEN ISLAND, NY	30456	30463	03			788 PORT RICHMOND AVENUE	STATEN ISLAND	NY	10302	718-447-1427
17 STATEN ISLAND, NY	30456	30463	03			648 BAY STREET	STATEN ISLAND	NY	10304	718-771-8448
17 SUFFOLK 1, NY	30528	29716	03			359 W MAIN STREET	HUNTINGTON	NY	11743	631-427-2070
17 SUFFOLK 1, NY	30528	29717	03			40 EAST SUFFOLK AVE	CENTRAL ISIP	NY	11722	631-234-2939
17 SUFFOLK 1, NY	30528	29719	03			4000 E. JERICHO TPK	EAST NORTHPORT	NY	11751	631-489-6818
17 SUFFOLK 1, NY	30528	29719	03			280 LARKFIELD ROAD	EAST NORTHPORT	NY	11751	631-281-1754
17 SUFFOLK 1, NY	30528	29720	03			HUNTINGTON STATION	NEW YORK	NY	11748	631-548-3313
17 SUFFOLK 1, NY	30528	29728	03			610 WELLMOOD AVENUE	LINDENHURST	NY	11757	631-987-6404
17 SUFFOLK 1, NY	30528	29728	03			SEARS IN WESTFIELD SHOPPINGTOWN	BAY SHORE	NY	11708	631-989-5145
17 SUFFOLK 1, NY	30528	29728	03			WESTFIELD SHOPPINGTOWN	BAY SHORE	NY	11708	631-989-5145
17 SUFFOLK 1, NY	30528	29731	03			1850 DEER PARK AVENUE	DEER PARK	NY	11726	631-885-2800
17 SUFFOLK 1, NY	30528	29731	03			SELDEN PLAZA	SELDEN	NY	11784	631-732-4892
17 SUFFOLK 1, NY	30528	30528	03			1758 VETERANS MEMORIAL HIGHWAY	ISLANDIA	NY	11786	631-582-0268
17 SUFFOLK 1, NY	30528	30549	03			SEGLIAS'S COLONY SHOPPING CENTER	WEST ISIP	NY	11786	631-884-0201
17 WESTCHESTER 2 NY	30530	29866	03			1 N BROADWAY	WHITE PLAINS	NY	10601	914-428-1747
17 WESTCHESTER 2 NY	30530	29867	03			480 MAIN STREET	NEW ROCHELLE	NY	10601	914-235-0770
17 WESTCHESTER 2 NY	30530	29868	03			1800 MAIN STREET	YONKERS	NY	10705	914-478-1361
17 WESTCHESTER 2 NY	30530	29869	03			18 GRAMATAN AVENUE	MOUNT VERNON	NY	10550	914-887-8217
17 WESTCHESTER 2 NY	30530	29870	03			CROSS COUNTY SHOPPING CENTER	YONKERS	NY	10704	914-968-4041
17 WESTCHESTER 2 NY	30530	29873	03			100 MAIN STREET	WHITE PLAINS	NY	10601	914-946-1014
17 WESTCHESTER 2 NY	30530	29877	03			SEARS IN THE CROSS COUNTY SHOPPING	YONKERS	NY	10704	914-377-2191
17 WESTCHESTER 2 NY	30530	29877	03			RT. 87 & CROSS COUNTY PARKWAY	YONKERS	NY	10704	914-377-2191

Company Owned Offices

Reg District	AdminID	OfficID	Position	First Name	Last Name	Office Address	Office Address Line 2	City	State	Zip	Phone
17 WESTCHESTER 2 NY	30530	30221	03			30-38 SOUTH BROADWAY		YONKERS	NY	10701-3704	914-423-7475
17 WESTCHESTER 2 NY	30530	30242	03			33 MAMARONECK AVENUE		WHITE PLAINS	NY	10601	914-686-2777
17 WESTCHESTER 2 NY	30530	30542	03			2141 CENTRAL PARK AVENUE		YONKERS	NY	10710	914-961-3722
17 BRONX #03, NY	30557	29832	03			169 DREISER LOOP		BRONX	NY	10475	718-320-8865
17 BRONX #03, NY	30557	29834	03			1276 CASTLE HILL AVE.		BRONX	NY	10462	718-623-6556
17 BRONX #03, NY	30557	29836	03			716 LYDIG AVE.		BRONX	NY	10482	718-239-0506
17 BRONX #03, NY	30557	29838	03			80 WESTCHESTER SQUARE		BRONX	NY	10461	718-623-8737
17 BRONX #03, NY	30557	29843	03			3437 BOSTON ROAD		BRONX	NY	10489	718-882-4300
17 BRONX #03, NY	30557	29844	03			4188 WHITE PLAINS RD		BRONX	NY	10466	718-984-0330
17 BRONX #03, NY	30557	29845	03			3509 WHITE PLAINS ROAD		BRONX	NY	10467	718-653-0808
17 BRONX #03, NY	30557	29847	03			716 ALLERTON AVE		BRONX	NY	10467	718-547-0158
17 BRONX #03, NY	30557	30506	03			3425 E TREMONT AVENUE		BRONX	NY	10465	718-828-1043
17 BRONX #03, NY	30557	30554	03			310 CITY ISLAND AVENUE		BRONX	NY	10484	718-885-8613
17 BRONX #03, NY	30557	30558	03			87 EAST 161ST STREET		BRONX	NY	10451	718-681-1480
17 BRONX #03, NY	30557	30664	03			713 MORRIS PARK AVENUE		BRONX	NY	10462	718-782-1434

From: [REDACTED]
Sent: Friday, December 17, 2004 8:24 PM
To: [REDACTED]
Cc: [REDACTED]
Subject: xIRA

[REDACTED] - you wanted some unit models for xIRA

Here is the most recent model - built by [REDACTED] several months ago.



POST MORTEM
ATA - XIRA TS 200.

One thing to keep in mind is, that since this model was built, our spread income has gone up roughly 75-80bp (100bp increase, with 20bp added to client yield). [REDACTED] and I will be revisiting this and other related topics in short order.

[REDACTED]

Source	Method/Note
Direct JDE Direct JDE Tab: "xIRA Accounts-Assets-Trades"	Actual account 5882.x Actual account 5880 Estimated based on assets/rate
	Transfer into 3902/24853
Tab: "Statement & Insert Detail" Tab: "Statement & Insert Detail" Tab: "Other Expense Detail"	Actual invoices from [REDACTED] Calculated based on # of statements Unit charge times number of accounts TBD
Tab: "Investor Center 8834" Direct JDE Tab: "Salary Adjustment" Tab: "Statement & Insert Detail" Tab: "IT Support" Tab: "Operations Support" Tab: "Other Expense Detail"	Actual Actual Calculated based on salary/benefits Actual based on report from [REDACTED] Estimated by on number of hours supporting xIRA Estimated by on number of hours supporting xIRA Estimated on number of wires/stops/ACH
	Transfer into 6602/24853

xIRA - Unit Analysis
xIRA P&L FY05 Plan - Unit Analysis (Company-Owned)

Purpose: This schedule shows the FY04 Actual and FY 05 Plan for the HRBFA Net Allocation for back of

Revenue

Variable Expenses

Fixed Expenses

Non-Recurring

7/12/2004

*ice expenses that are transferred from HRBFA to US Tax 24853.

	FY04 Actual		FY05 Plan		B(W)		Unit Basis
	xIRA Total	xIRA Total	\$	%	\$	%	
Deposit Fee	\$ 6.82	\$ 10.80	3.98	58.3%			# of new accts
Custodial (Maint.) Fee	3.85	3.19	(0.66)	-17.2%			avg # of accts
Acct Termination Fee	2.63	0.84	(1.79)	-68.0%			# of closed accts
Spread Income on xIRA Assets	0.32	1.21	0.89	280.8%			avg # of accts
Tax Prep Complexity lift	20.28	21.36	1.07	5.3%			# of new accts
Total Revenue	33.90	37.40	3.50	10%			mix
Production Wages	11.40	11.71	(0.30)	-2.7%			# of new accts
Household Bank processing fee	2.00	2.00	-				# of new accts
Statement & Welcome Kit Expenses	1.69	1.83	(0.14)	-8.1%			avg # of accts
Statement Postage Expenses	1.10	0.95	0.15	13.5%			avg # of accts
Form 5498 (xIRA Contribution)	0.36	0.37	(0.01)	-4.0%			avg # of accts
Form 1099	0.08	0.06	0.03	31.3%			avg # of accts
Total Variable Expenses	16.63	16.92	(0.28)	-2%			
Investor Center dept expense	5.30	4.66	0.64	12.1%			avg # of accts
HRBFA Dept 4096 Expenses (Mrktg)	0.16	-	0.16	100.0%			avg # of accts
Marketing Salary Expenses	0.06	-	0.06	100.0%			avg # of accts
Customer Letter Expenses	0.00	-	0.00	100.0%			avg # of accts
HRBFA IT Support Expenses	0.24	0.15	0.09	37.9%			avg # of accts
HRBDA Ops Support Expenses	0.29	0.15	0.15	50.2%			avg # of accts
HRBFA Treasury Support Expenses	0.10	0.04	0.06	59.3%			avg # of accts
Dept 24853 Salary & Benefits	0.65	0.61	0.04	6.4%			avg # of accts
Other USTX Dept 24853 expenses	1.86	1.07	0.79	42.5%			avg # of accts
Total Fixed Expenses	8.66	6.66	1.99	23%			
Subtotal Contribution	8.61	13.82	(5.21)	-60.4%			
Express Yourself	9.21	6.60	2.61	28.4%			# of new accts
Total Contribution	(0.60)	7.22	(7.82)	1309.3%			

Explanation of Change and Other Comments

Researching the year-over-year decline
Currently 30 bps, plan to go 40 bps in July.

Welcome kits not previously included

Gaining economies of scale in servicing accounts
Cost now contained with Dept 24853 expenses
Cost now contained with Dept 24853 comp & ben expenses

Reduction in promotions spending

Program discontinued, 05 expense related to 04

From: [REDACTED]
Sent: Thursday, February 24, 2005 9:34 PM
To: [REDACTED]
Subject: FW: Follow-Up on xIRA Rates

2

From: [REDACTED]
Sent: Thursday, February 24, 2005 3:33 PM
To: [REDACTED]
Cc: [REDACTED]
Subject: Follow-Up on xIRA Rates

[REDACTED] had asked for us to put together this comparative information. You'll see that comparison attached. I'd like to discuss with you, because the landscape for 'comparison' is shifting a significantly from when the prior analysis was done.

Some notes/talking points:

- Most of the top 10-20 MMAs (by interest rate) or primarily online stores that are competing on scale, we're not there yet. They're after the more sophisticated, higher AGI rate-shoppers, we're not.
- Keep in mind the national average is 1.89%. For \$10k MMAs it's 1.99%. I think the nominal difference between those two averages hints at the fact that most shops have accounts that are much larger than ours. Given the general assumption that our average account balance is significantly lower than competitors, we may be shooting too high to try and match their interest rate (or even the national average). We may be comfortable to be in the bottom half nationally in terms of interest rate. We show our true to the client through convenience: FDIC insurance, opening and funding via the tax office, low minimums and fees, advice, and a long-term savings "plan" (pending the addition of XSAV and XDIR) - in addition to the interest rate.
- Given the current Fed environment, we are likely at a good opportunity to raise our rate at least 25 bps, ideally 50. Obviously, in-season is the best time to announce an increased yield. It's a great talking point for tax pros and generally increases XIRA awareness. Even conservative analysts speculate that the Fed will go to 3, many say higher. If we move to 1.5 for XIRA, we'll still have the off-season to capture increased spread as the Fed continues to move their guidance upward. Until we move to the bank (and learn the bank's true cost of funds, etc.), a 50 bps lag between XIRA and the national MMA average yield may be a good place to be. I'll have the current FY impact assembled shortly.

There was an additional question about subsidy. The notion of our subsidy of the rate no longer applies. As interest rates have risen, the subsidy has been eliminated. We receive the 30-day moving average of Fed Funds from Reserve Funds. Currently that is 2.33%, but is changing daily and is going up at the moment. We pass a portion of that on as client yield (currently this is 1.0%).

3/23/2005

HRB-13083

From: [REDACTED]
Sent: Tuesday, November 30, 2004 4:53 PM
To: [REDACTED]
Subject: IRAs and Assistance Programs

[REDACTED],

Did we make any headway on understanding how opening or holding an IRA affects an individual's ability to qualify for public assistance programs?

I never heard anything back from [REDACTED]. Did you?

[REDACTED]
Tax Products Wholesaling Manager
H&R Block
[REDACTED]

3/23/2005

HRB-13550

Subject: FW: Express IRA-English
Importance: High

From: [REDACTED]
Sent: Friday, August 27, 2004 10:08 AM
To: [REDACTED]
Subject: FW: Express IRA-English
Importance: High

Hey guys,
I've asked [REDACTED] to take out the "new" references to the Saver's Credit. Personally, I'd like to modify the message on this brochure as well e.g. the "great rates" message doesn't seem to sit well with tax pros. I'd rather focus on convenience, security, and tax savings. However, this updated brochure will be supplemental to our existing stock (I think 2000 packets - 100 units each - is the batch size of this updated version), for new offices and restocking. I don't think mixed messaging is a good idea. Additionally, finalized versions are due next Tuesday. What do you think?
[REDACTED]

From: [REDACTED]
Sent: Tuesday, August 24, 2004 1:32 PM
To: [REDACTED]
Subject: Express IRA-English
Importance: High

We may have to reprint the Express IRA-English also...I've attached the PDF for your review. Besides putting the disclosure on the back, are there any updates that need to be made to the language?

Thanks,

[REDACTED]
Content Developer
H&R Block World Headquarters
phone: [REDACTED]
e-mail: [REDACTED]

3/23/2005

HRB-14241

From: [REDACTED]
Sent: Friday, October 08, 2004 9:38 PM
To: [REDACTED]
Subject: Express IRA Interest Rate Update

Attached is an updated competitive view of XIRA vs. the 10 largest money market funds. As anticipated, XIRA has fallen in IR comparison as other companies have passed-on almost all of the FOMC's last 2 adjustments to their respective MMFs (50 bps). We used the same adjustments to our underlying rate to take back some of the subsidization of XIRA. Currently we are subsidizing the XIRA interest rate at 20 bps (client payout is 80 bps). *Need to verify the subsidization; this is based upon JK's comments below.*

Over the last 3 years, Express IRA has maintained a competitive interest rate relative to other MMFs. Currently we rank last vs. the top 10 funds. Despite our diminishing interest in maintaining a top tier interest rate, I would recommend we adjust our rate to 1.0%. This would put us on par with other large MMFs that offer relatively low minimum balances e.g. Schwab and Centennial. Presumably the FOMC will make another ¼ point adjustment at their next meeting, at which point we could "give back" a minority portion of the fed funds adjustment. This will present two fantastic messaging opportunities, both in 545 (1.0%) and early tax season (perhaps 1.1%), that we're increasing the interest rate on Express IRA. As rates continue to increase and we improve our spread income opportunity with the bank conversion, we should be able to eliminate the subsidization by the end of next May.

Let me know what you think.

-----Original Message-----

From: [REDACTED]
Sent: Wednesday, June 30, 2004 12:53 PM
To: [REDACTED]
Cc: [REDACTED]
Subject: RE: Express IRA Interest Rate Update

I agree with the recommendation.

-----Original Message-----

From: [REDACTED]
Sent: Wednesday, June 30, 2004 12:46 PM
To: [REDACTED]
Subject: RE: Express IRA Interest Rate Update

I've always been in favor of taking the spread and not passing any on...for all of the reasons John articulated. If this is not palatable and if we find ourselves out of line with competition, we can always give some back – say 5 or 10 bps.

-----Original Message-----

From: [REDACTED]
Sent: Wednesday, June 30, 2004 12:32 PM
To: [REDACTED]
Subject: Express IRA Interest Rate Update

[REDACTED],

As you may know, the FOMC is expected to raise the Federal Funds rate today by 25bps (from 1.0% to 1.25%). As such, this will impact the underlying interest rate for Express IRAs.

Attached to this email is a comparison of the Express IRA to the seven largest money market funds in the US. Currently, we rank 3rd in terms of yield and 1st in terms of minimum deposit, *i.e.*, we are very competitive.

The primary reason we are so competitive in terms of rate is due to the fact that we are subsidizing it to the tune of 70bps. As stated in our '05 objectives, our goal is to substantially reduce or eliminate this subsidy over the course of the fiscal year.

Though it remains to be seen what other similar funds will do (capture spread, pass on the increase or a mix of both) and given our product's competitiveness compared to other funds, it is my recommendation that we use the fed's increase to reduce our current subsidization of the rate. Said differently, I believe we should recapture the entire 25bps and recognize it as spread income going forward. Even if the other funds pass on the entire increase to clients, I believe we will still have a competitive product, though we would likely fall from the upper third to the lower third in terms of yield (though we would still have a significant advantage in terms of minimums).

Choosing this course of action will benefit FY05's pretax earnings by approx. \$440K over our current trajectory and by approx. \$250k over the FY05 plan.

Another thing to consider is now that the fed has changed its position on short-term rates, it is more likely that they will raise rates again before tax season. This would give us another chance to recapture more subsidy, and/or raise the yield for XIRA clients.

Let me know your thoughts on this or if you would like to have a meeting to discuss this in more detail. Once the fed moves (today), we have several weeks to finalize our course of action before our spread increases. During that time, we can get the appropriate input from other impacted groups (HRBFA, field mgt., legal & compliance, etc.)

Thanks,

[REDACTED]
Director of Express Programs
H&R Block Tax Services

P:

C:

F:

expressprograms@hrblock.com

Express IRA

Yield Comparison:

Express IRA compared to the seven largest retail money market funds in the US.
Ranked by yield.

Notes:

- As of 10/05/04

- Source: *iMoney.net* (<http://www.imoney.net/retailLargestMMF.htm>)

Fund Name	Recent 7-Day Yield (%)	Minimum Investment
Vanguard Tax-Exempt MMF	1.52%	\$3,000
Vanguard Prime MMF/Retail	1.45%	\$3,000
Fidelity Cash Reserves	1.36%	\$2,500
Morgan Stanley Active Assets MT	1.30%	\$5,000
Schwab Value Advantage MF/Inv	1.28%	\$25,000
Fidelity Municipal MMF	1.23%	\$5,000
Smith Barney Cash Port/CI A	1.18%	\$1,500
Morgan Stanley Liquid Asset Fund	1.14%	\$5,000
Centennial Money Market Trust	1.06%	\$500
Schwab Money Market Fund	0.98%	\$1,000
H&R Block Express IRA	0.80%	\$300

Fund Assets (\$mill)	WAM
\$14,767	39
\$43,856	52
\$56,875	51
\$22,202	57
\$25,162	51
\$15,714	41
\$17,487	22
\$20,280	36
\$21,318	42
\$45,110	42
\$210	52

Express IRA

Yield Comparison:

Express IRA compared to the seven largest retail money market funds in the US.
Ranked by yield.

Notes:

- As of 6/29/04
- Source: iMoney.net (<http://www.imoney.net.com/retailLargestMMF.htm>)

IRupdate100804.xls

IRupdate100804.xls

Fund Name	Recent 7-Day Yield (%)	Minimum Investment	Fund Assets (\$mill)	WAM
Vanguard Tax-Exempt MMF	0.98%	\$3,000	\$14,260	39
Vanguard Prime MMF/Retail	0.95%	\$3,000	\$43,873	52
H&R Block Express IRA	0.80%	\$300	\$235	51
Fidelity Cash Reserves	0.78%	\$2,500	\$55,613	57
Schwab Value Advantage MF/Inv	0.76%	\$25,000	\$25,747	51
Morgan Stanley Active Assets MT	0.74%	\$5,000	\$21,943	41
Fidelity Municipal MMF	0.67%	\$5,000	\$15,401	22
Smith Barney Cash Port/CI A	0.61%	\$1,500	\$17,982	36
Morgan Stanley Liquid Asset Fund	0.58%	\$5,000	\$21,039	42
Centennial Money Market Trust	0.55%	\$500	\$21,570	42
Schwab Money Market Fund	0.48%	\$1,000	\$48,113	52

IRupdate100804.xls

IRupdate100804.xls

Express IRA

Yield Comparison:

Express IRA compared to the seven largest retail money market funds in the US.
Ranked by yield.

Notes:

- As of 6/22/04
- Source: *iMoney.net* (<http://www.imoney.net/retailLargestMMF.htm>)

Fund Name	Recent 7-Day Yield (%)	Minimum Investment	Fund Assets (\$mill)	WAM
Vanguard Tax-Exempt MMF	0.96%	\$3,000	\$14,232	
Vanguard Prime MMF/Retail	0.88%	\$3,000	\$43,871	31
H&R Block Express IRA	0.80%	\$300	\$235	51
Fidelity Cash Reserves	0.76%	\$2,500	\$55,765	59
Schwab Value Advantage MF/Inv	0.73%	\$25,000	\$25,865	49
Morgan Stanley Active Assets MT	0.71%	\$5,000	\$21,971	45
Fidelity Municipal MMF	0.68%	\$5,000	\$15,446	23
Morgan Stanley Liquid Asset Fund	0.56%	\$5,000	\$21,086	44
Smith Barney Cash Port/CI A	0.54%	\$1,500	\$18,139	32
Centennial Money Market Trust	0.52%	\$500	\$21,754	43
Schwab Money Market Fund	0.45%	\$1,000	\$48,461	52

IRupdate100804.xls

IRupdate100804.xls

From: [REDACTED]
Sent: Thursday, August 12, 2004 9:24 PM
To: [REDACTED]
Subject: Things to ponder...

I was reading a thread on eyeonsales.com today and stumbled across something to ponder. The "expert" said:

It's not about – "How well does my product do or is fit for the job it's meant to do?"

It's about – "How well does my product do what the client needs it to do?"

As I thought about this, I remembered that a significant portion of America has debt issues and is still paying off loans, credit cards, etc in lieu of saving. This means that a significant portion of our clients, perhaps even disproportionately so, have debt issues.

I don't know how many times I heard "My client's can't afford it" this past tax season. Well, why can't they afford it? We designed it for them, right? It's been completely and thoroughly scrubbed to help them get started.

The reality is, for many of those we thought we set out to help their money is not yet theirs. What we were hearing about affordability may be symptomatic of the American personal debt dilemma.

Unless we help them reclaim control of their finances, we're eliminating them as xIRA partners...and they are a good portion of the audience we thought we were trying to help with this product.

Under those circumstances, can we ever expect the xIRA to take off?

[REDACTED]
Tax Products Wholesaling Manager
H&R Block
[REDACTED]

From: [REDACTED]
Sent: Friday, June 18, 2004 4:25 PM
To: [REDACTED]
Cc: [REDACTED]
Subject: RE: XIRA Account banding by balance

Thanks for your help.

From: [REDACTED]
Sent: Friday, June 18, 2004 9:28 AM
To: [REDACTED]
Subject: RE: XIRA Account banding by balance

Yes, that should be ok. I'll give it to my boss, get it approved, and get the process started. I'll let you know when I have something.

-----Original Message-----

From: [REDACTED]
Sent: Friday, June 18, 2004 10:10 AM
To: [REDACTED]
Subject: RE: XIRA Account banding by balance

[REDACTED]
Will this work? Let me know if you think I should change something.
Thanks,
[REDACTED]

From: [REDACTED]
Sent: Friday, June 18, 2004 8:36 AM
To: [REDACTED]
Subject: RE: XIRA Account banding by balance

Hello [REDACTED].

I'd be happy to help, but I have to follow the ITR process. So if you could submit an ITR for the XIRA banding by balance then I'll be able to work on it because I have to keep track my time.

Thanks,
[REDACTED]

-----Original Message-----

From: [REDACTED]
Sent: Thursday, June 17, 2004 5:54 PM
To: [REDACTED]
Subject: XIRA Account banding by balance

Hi [REDACTED].

You helped us out quite a bit back in March when you ran this query (below). Is it possible for you to run the same query again and include all of the new XIRAs that we

picked up this tax season? Thanks again for your help.
Regards,

[REDACTED]

From: [REDACTED]
Sent: Tuesday, March 30, 2004 10:44 AM
To: [REDACTED]
Subject: Here are my count totals

Hello [REDACTED],

If you look at yesterday's total number it is 256,304 and today's is 256,266 the difference of 38 accounts. The number is different for many reasons... i.e. equity changes from day to day and therefore the account balance changes, accounts open and close etc...

I couldn't use yesterdays run easily so I had to rerun, and that's why the numbers are different. Hope this helps.

XIRA Counts		
\$0 - \$10.00		66,460
\$10.01 - \$50.00		2,029
\$50.01 - \$100.00		5,565
\$100.01 - \$250.00		13,219
\$250.01 - \$500.00		77,375
\$500.01 - \$750.00		37,739
\$750.01 - \$1,000.00		13,381
\$1,000.01 - \$1,500.00		17,729
\$1,500.01 - \$2,000.00		5,210
\$2,000.01 - \$3,000.00		9,567
\$3,000.01 - \$4,000.00		3,839
\$4,000.01 - \$5,000.00		1,506
\$5,000.01 - \$7,500.00		2,135
\$7,500.01 - \$10,000.00		409
\$10,000.01 +		103

Total Accounts = 256,266

-----Original Message-----

From: [REDACTED]
Sent: Tuesday, March 30, 2004 10:09 AM
To: [REDACTED]
Subject: FW: Bands on the run.xls

From: [REDACTED]
Sent: Tuesday, April 06, 2004 8:58 PM
To: [REDACTED]
Cc: [REDACTED]
Subject: XIRA Functional Profitability - FY03

Everyone,

Sorry for the delay. Here's the additional information related to Express IRA tax form complexity that I promised you. See the attached file.

In summary, it represents an additional \$3.3 million of XIRA-driven tax prep revenue.

I'm still working on breaking out the non-XIRA consulting expenses currently allocated to XIRAs.

Thanks,

[REDACTED]
Director of Express Programs
H&R Block Tax Services
P: [REDACTED]
C: [REDACTED]
F: [REDACTED]
expressprograms@hrblock.com

Express IRA Functional Profitability
Complexity lift due to presence of an Express IRA

IRA Forms:	Unit Price
Sever's Credit Form	\$ 8.18
Form 5329	\$ 19.33
Form 8606 (non-ded. IRA)	\$ 20.18
1040 page 2 (no 5329 req'd)	\$ 11.06
IRA deduction worksheet	\$ 9.18

Unit price data source: Detailed Billing Items Usage Data file, Amy Noetker
Volumes data source: Corporate Analytics TSO3 XIRA post mortem and/or estimates

<u>'03 Volume</u>	<u>Revenue</u>	<u>Mix</u>
123,221	\$ 1,007,951	48.1%
10,019	\$ 193,644	9.5%
41,217	\$ 829,716	16.1%
12,627	\$ 139,654	5.0%
126,244	\$ 1,158,899	63.9%
	\$ 3,329,863	

From: Ernst, Mark
Sent: Friday, May 07, 2004 3:23 PM
To: [REDACTED]
Subject: RE: XIRA Interest Rate Change

Only if you buy.

From: [REDACTED]
Sent: Friday, May 07, 2004 8:11 AM
To: Ernst, Mark
Subject: FW: XIRA Interest Rate Change

FYI -

If you don't have lunch plans I'll buy.

-----Original Message-----

From: [REDACTED]
Sent: Friday, May 07, 2004 7:02 AM
To: [REDACTED]
Subject: RE: XIRA Interest Rate Change

I agree- my concerns are more about the mismatch with what I thought I had been told on the reason for the rate subsidy (e.g. clients must have the subsidy to buy x-ira's) along with the approval process.

From: [REDACTED]
Sent: Thu 5/6/2004 12:49 PM
To: [REDACTED]
Subject: Re: XIRA Interest Rate Change

This discussion came up in the summer and fall with the sit the agreement was to not modify the subsidy because there were questions (I agreed) about tax pro acceptance. However, with the dramatic improvement in tax pro penetration, the sizable increase in the asset base, the rate environment poised for change the timing is right to begin the weaning process.

To me this is product management - paying attention to internal and external factors while trying to manage product profitability.

Thoughts?

-----Original Message-----

From: [REDACTED] <[REDACTED]@hrblock.com>
To: [REDACTED] <[REDACTED]@hrblock.com>
Sent: Thu May 06 12:26:38 2004
Subject: Fw: XIRA Interest Rate Change

[REDACTED], why would we have subsidized rates this past season given the dialogue from [REDACTED]?

Sent from [REDACTED]

-----Original Message-----

From: [REDACTED] <[REDACTED]@hrblock.com>
To: [REDACTED] <[REDACTED]@hrblock.com>
CC: [REDACTED] <[REDACTED]@hrblock.com>
Sent: Thu May 06 10:42:34 2004
Subject: RE: XIRA Interest Rate Change

[REDACTED]

I completely agree. Since the proposed rate change was not scheduled to take effect until June 1st, I was actually intending for my original email to serve as the approval / discussion process for this particular decision. No unilateral decisions were intended to be made on my part (sorry if it came off like that). I was putting forth my recommended plan of action with sufficient lead time for others to weigh in so that a consensus could be reached.

Relative to the original intent of the rate subsidy as a mechanism to appease tax pros, yes that was primarily the intent. Given recent feedback we've received from the field, we feel that the mindset of the tax pro relative to interest rates has changed over the last 18 months. They have a greater awareness of the extremely low interest rate environment and are more desensitized to it, i.e., "they get it". As such, we don't feel it's necessary to continue supporting this subsidy to as great of an extent as we have been. There are more economical ways to appease the tax pros such as increased communications on the competitiveness of XIRAs compared to other similar products (which we have done some of over the last year).

I'm setting up a meeting with [REDACTED] and [REDACTED] to make sure we're all in agreement.

Thanks,
[REDACTED]

-----Original Message-----

From: [REDACTED]
Sent: Wednesday, May 05, 2004 6:08 PM
To: [REDACTED]
Cc: [REDACTED]
Subject: Re: XIRA Interest Rate Change

We need a process to approve these types of moves. I appreciate the thinking, but it is inconsistent with the earlier action to create the subsidy which I believed was to appease tax pros.

Has the tax field leadership been consulted on this proposal?

Sent from [REDACTED]

-----Original Message-----

From: [REDACTED] <[REDACTED]@hrblock.com>
To: [REDACTED] <[REDACTED]@hrblock.com>
CC: [REDACTED] <[REDACTED]@hrblock.com>
Sent: Wed May 05 11:12:56 2004
Subject: RE: XIRA Interest Rate Change

[REDACTED]

We've been monitoring fed rates closely for some time from the perspective of opportunities to reduce the rate subsidy. We had anticipated fed rates rising earlier than now (as early as late CY03) in order to reduce the subsidy without lowering the rate to clients. When the fed left rates alone yesterday, and gave no further solid indication that they would rise anytime

soon, we feel it's necessary to make a move on our own and had been planning to do so pending the outcome of yesterday's fed decision.

The rationale for reducing the subsidy at this point is based on several factors:

- With the additional \$120 million in deposits accumulated this tax season, the opportunity cost of the 70 bps subsidy grows substantially larger. Absent a change, the fully-loaded cost of the subsidy would be \$1.6 million in FY05.
- From a competitive rate standpoint, it's not necessary to continue to subsidize the rate to the extent we have been. Anecdotal evidence shows that over time tax pros and clients have become generally more aware of, and desensitized to, the extremely low interest rate environment. As such, there is less need now to 'soften the blow' from fed reductions than there was 18 months ago.
- We consulted with fund managers at The Reserve Funds to get their perspective on our rate and its position in the market place. They felt strongly that there were immediate opportunities for us to reduce the subsidy and agreed that it should not substantially impact the perceptions of clients and tax pros.
- We continue to manage this product's profitability toward an optimum level and to make further strides in that direction; we felt a reduction in the rate subsidy was necessary at this time.
- According to the recent market comparisons we looked at, a 25 bps reduction leaves us with a rate that still puts us in the top 25% of other similar FDIC money market funds. It ranks even higher if you factor in our favorable account minimums.
- Reducing the subsidy solely through corresponding fed rate hikes is economically risky due to the likelihood of political pressure to keep rates low in an election year.

Other remaining options include:

- Implementing an interest rate tiering structure (originally proposed last June) that would allow us to capture spread on the overall asset portfolio (-25 bps) while offering a higher top-end rate to reduce negative perceptions (e.g., 1.5%). Interest rate tiering is a common practice and is used more often than not by other similar interest bearing products.
- Leaving the subsidy alone. Not necessary due to the reasons stated above.
- Being more conservative - Waiting for the fed to move in order to reduce the subsidy. This approach slightly reduces client and tax pro negative impact but is too expensive long term and not necessary due to the reasons stated above.
- Being more aggressive - Taking back the entire 70 bps subsidy in one or two moves. This is financially beneficial but has a much greater risk of negatively impacting tax pro and client perceptions. Poor optics due to timing just after tax season and would appear to be akin to a bait and switch offering.

We definitely do not want to negatively impact the increasing momentum of this product, derail tax pro support or create client animosity. Though there is no definitive formula for rate changes in this situation, we feel a 25 bps reduction at this time is a solid step in the direction of reducing the rate subsidy while minimizing negative effects.

Please let me know if you have any questions.

Thanks,



-----Original Message-----

From: [REDACTED]
Sent: Tuesday, May 04, 2004 6:36 PM
To: [REDACTED]
Cc: [REDACTED]
Subject: RE: XIRA Interest Rate Change

[REDACTED], what was the process for evaluating and then making the change?

-----Original Message-----

From: [REDACTED]
Sent: Tuesday, May 04, 2004 5:18 PM
To: DL - TAX SERVICES SLT
Cc: [REDACTED]
Subject: XIRA Interest Rate Change

Note: Please keep this confidential until the appropriate field communications and operational changes are made.

In keeping with the ongoing management of the Express IRA product, I wanted to make you aware of pending changes to the Express IRA interest rate.

Currently, we receive total revenue of 1.0% (100 bps) from Reserve Funds on Express IRA deposits. Over the last 16 months or so, we have been putting 70 bps of that spread back into the rate to subsidize it (our net spread being 30 bps during this time). Without the subsidy, the interest rate on the account would be 10 bps; with the subsidy the rate is 80 bps.

However, given the current interest rate environment and our desire to manage XIRAs profitably, we now feel it is an appropriate time to reduce the current subsidization of the rate.

Beginning approx. June 1st, we are reducing the interest rate subsidy by 25 bps (from 70 bps to 45 bps), netting an annualized savings of approx. \$557 thousand (assuming no attrition due to the rate change). Likewise, the interest rate paid to clients on XIRA deposits will be lowered from 80 bps to 55 bps. There will be a thorough communications update across the appropriate channels related to the change in rates.

Furthermore, our plan is to completely eliminate the interest rate subsidy by the end of this calendar year. We will continue to monitor this monthly and will make changes consistent with the timing of Federal Reserve decisions. This will be a staggered approach that will include one or more of the following levers:

- Anticipated raises in the fed funds rate in the July time frame will allow additional subsidy reduction
- Further internal reductions of the subsidy similar to the one occurring June 1st
- Possible conversion to H&R Block Bank may offer increased spread opportunities

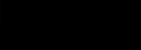

I will be calling you soon to coordinate the appropriate field communications.

Please let me know if you have any questions.

Thanks,


Director of Express Programs
H&R Block Tax Services

P: 

C: 

F: 

@hrblock.com

expressprograms@hrblock.com

From: [REDACTED]
Sent: Wednesday, May 05, 2004 5:58 PM
To: [REDACTED]
Subject: RE: XIRA Interest Rate Change

Now that the product on "stable" footing with the tax pros - this seems like a no-brainer, given [REDACTED]'s comment about still ranking in the top quartile from a rate perspective. Also, we don't advertise a rate change. I think it would be better to lower it now and then take advantage of a rate increase as the Fed will eventually raise rates over the next 12 months...we can "pass along" some of the increase.

The only downside is that the interest rate savvy will question the move as there is a market perception that rates are moving up vs. down - I don't believe this is a big risk given the dynamics around this product.

The other no-brainer is the pursuit of the profit maximization goal given today's environment and the desensitization of rates to our tax pros and clients.

-----Original Message-----

From: [REDACTED]
Sent: Wednesday, May 05, 2004 11:18 AM
To: [REDACTED]
Subject: Fw: XIRA Interest Rate Change

[REDACTED], fyi. Thoughts?

-----Original Message-----

From: [REDACTED] <[REDACTED]@hrblock.com>
To: [REDACTED] <[REDACTED]@hrblock.com>
CC: [REDACTED] <[REDACTED]@hrblock.com>
Sent: Wed May 05 11:12:56 2004
Subject: RE: XIRA Interest Rate Change

[REDACTED],

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Please let me know if you have any questions.

Thanks,

██████████

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To: ██████████
Cc: ██████████
Subject: RE: XIRA Interest Rate Change

[REDACTED], what was the process for evaluating and then making the change?

-----Original Message-----

From: [REDACTED]
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To: DL - TAX SERVICES SLT
Cc: [REDACTED]
Subject: XIRA Interest Rate Change

Note: Please keep this confidential until the appropriate field communications and operational changes are made.

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- Further internal reductions of the subsidy similar to the one occurring June 1st
- Possible conversion to H&R Block Bank may offer increased spread opportunities

[REDACTED],
I will be calling you soon to coordinate the appropriate field communications.

Please let me know if you have any questions.

Thanks,

[REDACTED]

Director of Express Programs

H&R Block Tax Services

P: [REDACTED]
C: [REDACTED]
F: [REDACTED]

[REDACTED]@hrblock.com

expressprograms@hrblock.com

From: [REDACTED]
Sent: Monday, March 15, 2004 3:20 PM
To: [REDACTED]
Subject: RE: tax pros

Thanks [REDACTED]. There is a very clear gap between our tax pro's needed level of understanding of XIRAs and the SFS training materials. We can't seem to get additional content or time within skills for success allotted to XIRAs over the past several years. As such, we are creating a more robust field guide/tax pro user manual for next tax season that will hopefully help fill that gap.

I also think there's a big role for communications to help bridge that gap with articles and whatnot to increase tax pros understanding of XIRAs.

[REDACTED]

-----Original Message-----

From: [REDACTED]
Sent: Thursday, March 11, 2004 10:54 AM
To: [REDACTED]
Subject: tax pros

[REDACTED]

I've been sitting in the President's Tax Field Advisory Council meetings for the past two days, looking for "communication" holes. I've heard repeatedly that tax pros need to increase their financial literacy. I've heard many tax pros say that the people they know who don't offer Express IRAs, don't offer them because they don't understand IRAs in general. They can't answer a question like: When is a Roth best, etc. I've passed this information on to [REDACTED], who manages Block Central, and [REDACTED], who manages eNews and internal tax communications. Just thought you might be interested as well.

[REDACTED]

From: [REDACTED]
Sent: Friday, March 05, 2004 4:10 PM
To: [REDACTED]
Cc: [REDACTED]
Subject: RE: xIRA Obstacles

Thanks [REDACTED].

We've heard the same feedback a thousand times.

Training and technology are the two biggest areas for improvement of this product.

-----Original Message-----

From: [REDACTED]
Sent: Friday, March 05, 2004 9:57 AM
To: [REDACTED]
Cc: [REDACTED]
Subject: xIRA Obstacles

[REDACTED]
For what it's worth, the two most common obstacles I've observed during this second round of field visits are educational.

Depending on office, I hear over and over again "I don't know enough about IRAs to talk with my clients about them" and "I'm not comfortable with how the TPS screens handle IRAs."

Tax Pros acknowledge these as reasons they avoid talking about IRAs and saving.

We can talk more about this Tuesday during the meeting/call.

[REDACTED]

From: [REDACTED]
Sent: Monday, December 15, 2003 7:30 PM
To: [REDACTED]
Cc: [REDACTED]
Subject: RE: XIRA write offs

Thanks [REDACTED].

-----Original Message-----

From: [REDACTED]
Sent: Monday, December 15, 2003 7:00 AM
To: [REDACTED]
Cc: [REDACTED]
Subject: RE: XIRA write offs

It's up to you. We won't be writing off the negative balances if we cannot offset them against the positive writeoffs. It will be interesting to see how many of these accounts recontribute.

-----Original Message-----

From: [REDACTED]
Sent: Friday, December 12, 2003 5:45 PM
To: [REDACTED]
Cc: [REDACTED]
Subject: RE: XIRA write offs

[REDACTED],

The statements these clients receive during tax season will be an effective reminder that they still have an active account and to encourage them to recontribute to the account during their upcoming tax season visit.

We recognize the potential cost savings that not stating these clients would provide, but we also recognize the potential opportunity for these clients to recontribute to their accounts. Since US Tax is being billed directly for the statements by [REDACTED] (to my dept.), it's a cost I'm willing to incur during and up through the end of tax season.

For this particular demographic of client, saving their money for several months and then withdrawing the funds is actually meeting their savings needs. Many of those clients that withdraw their funds will actually recontribute again to their account since it met their savings needs before. This behavior is not intuitive to the average IRA investor but the data shows it is occurring.

I want to make sure that these 43,000 accounts are included in the account balance update file (that [REDACTED] delivers to TPS) so that the Tax Pros can prompt the discussion with the client to make a recontribution during the upcoming tax season. For those clients that decide not to make a recontribution this tax season, I believe it will be prudent to do as you suggest - write off the balances and no longer statement them.

Thanks,
[REDACTED]

-----Original Message-----

From: [REDACTED]
Sent: Friday, December 12, 2003 6:38 AM
To: [REDACTED]
Cc: [REDACTED]
Subject: RE: XIRA write offs

I am not closing these accounts. I am simply writing off the small balances so that we do

not continue to send statements to these customers. Why would we continue to send 43000 statements for balances under \$1.00?

-----Original Message-----

From: [REDACTED]
Sent: Thursday, December 11, 2003 6:10 PM
To: [REDACTED]
Cc: [REDACTED]
Subject: RE: XIRA write offs

[REDACTED],
Thank you for the information regarding low and negative balance XIRAs. However, we do not want to close these accounts right now. Please keep these accounts open. We would like to give each of these clients the opportunity to recontribute during the upcoming tax season.

If we close any low or negative balance accounts, we'll pursue that option after the tax season, perhaps during the transition process to the HRB Bank.

Thanks,
[REDACTED]

-----Original Message-----

From: [REDACTED]
To: [REDACTED]
Cc: [REDACTED]
Sent: 12/11/03 11:49 AM
Subject: XIRA write offs

[REDACTED] -
As I mentioned when we were discussing the writeoffs for Express Savers, I had submitted a request to identify Express IRA accounts with balances less than \$1.00. I got the statistics today: 43,000 accounts for \$7,330.72. Against these credits we would like to write off all negative XIRA balances which are under \$100. There are 163 of these totaling \$5,369.63. Unless you object we will be writing off these positive and negative balances before the end of December making the December, 2003 statement the last one they will receive from HRBFA unless they have any additional activity in 2004.

[REDACTED]

From: [REDACTED]
Sent: Friday, April 09, 2004 6:54 PM
To: [REDACTED]
Subject: XIRA Historical Fee Schedule.xls

[REDACTED],

Per our discussion yesterday, attached is the historical fee schedule for XIRAs, including fee waiver rules and interest rates. As you'll see, fees have decreased gradually since the inception of the product.

Let me know if you need anything else.

Thanks,

[REDACTED]

Express IRA Fee Schedule

Availability	Comments			
	TS 01 Pilot	TS 02 Next	TS 03 Next	TS 04 Next
New Account Set Up Fee - TPS	\$15.00	\$15.00	\$15.00	\$15.00
Existing Account Reconstitution Fee - TPS	\$18.00	\$15.00	\$15.00	\$15.00
New Account Set Up Fee - TaxCut, & OTP	n/a	Free	Free	Free
Existing Account Reconstitution Fee - TaxCut & OTP	n/a	Free	Free	Free
Annual Maintenance Fee	\$10.00	\$10.00	\$10.00	\$10.00
Account Termination Fee	\$75.00	\$75.00	\$25.00	\$25.00
Account Termination Fee w/ ACAT out	\$75.00	\$75.00	\$75.00	\$75.00
Account Withdrawal Fee	Free	Free	Free	Free
Check by regular mail	\$15.00	\$15.00	\$15.00	\$15.00
Check by overnight mail	\$25.00	\$25.00	\$25.00	\$25.00
Wire Transfer to checking acct	4.37%	0.50%	1.00%	0.50%

Interest Rate (Reserve FDIC Insured Deposits Fund)

Fee Waivers:

Fee Waivers:	TS 01 Pilot	TS 02 Next	TS 03 Next	TS 04 Next	Comments
New Account Set Up Fee - TPS	No	No	No	Yes	
Existing Account Reconstitution Fee - TPS	No	No	No	Yes	
- Waived if client purchases a RAL, or	No	No	No	Yes	
- Waived if client achieves balance of \$2,000, or	No	No	No	Yes	
- Waived if client signs up for \$180/mo. Deposit, or	Yes	Yes	Yes	Yes	
- Waived if an employee (including tax prod)	No	Yes	n/a	n/a	\$5,000 bal. waiver only offered in TS 02, reduced to \$1,000 in TS 03
Annual Maintenance Fee	No	Yes	n/a	n/a	
- Waived if account balance >\$5,000, or	No	No	Yes	Yes	
- Waived if account balance >\$1,000, or	No	Yes	Yes	Yes	
- Waived if a systematic monthly depositor, or	No	Yes	Yes	Yes	
- Waived if an employee (including tax prod)	No	No	No	Yes	A minimum monthly contribution of \$25 is required

H&R Block
Express Product Fund Annual Yields
(Tax Season Only)

	Reserve Funds ¹		Difference
	Fed Funds ¹	FDIC Fund Yield	
Year 2000 (pre Express)			
Jan	5.46%	4.35%	-1.11%
Feb	5.73%	4.63%	-1.10%
Mar	5.85%	4.75%	-1.10%
Apr	6.02%	4.90%	-1.12%
Average Rate	5.77%	4.66%	-1.11%
Year 2001 (Express IRA Pilot)			
Jan	5.96%	5.10%	-0.86%
Feb	5.49%	4.48%	-1.04%
Mar	5.31%	4.24%	-1.07%
Apr	4.81%	3.70%	-1.11%
Average Rate	5.40%	4.37%	-1.03%
Year 2002 (Express IRA Net1 Rollout)			
Jan	1.75%	0.42%	-1.33%
Feb	1.75%	0.52%	-1.23%
Mar	1.76%	0.52%	-1.23%
Apr	1.75%	0.52%	-1.23%
Average Rate	1.76%	0.50%	-1.25%
Year 2003 (Expected)²			
Jan	1.25%	1.00%	-0.25%
Feb	1.25%	1.00%	-0.25%
Mar	1.25%	1.00%	-0.25%
Apr	1.25%	1.00%	-0.25%
Average Rate	1.25%	1.00%	-0.25%

Compared to Fed Funds, we've improved rates 1%

Comments:
Despite continued declines in the US interest rate environment, we are improving the express product interest rate from -50bps to 1.0% this coming tax season.

Of the approximately 100 bps reduction in the difference between the Fed Funds rate and Reserve's FDIC fund yield from 2002 to 2003, Reserve is subsidizing -25bps and HRB is subsidizing the remaining -75bps.

To the extent there are continued rate adjustments by the Fed, we will adjust express product yields appropriately to maintain reasonable spread costs.

1. Data source: The Reserve Funds of New York
2. Reserve FDIC yield of 1.0% is for express products only, the regular FDIC fund yield is currently 21bps

Simple

4.25%
4.52%
4.64%
4.78%
4.55%

4.96%
4.35%
4.15%
3.62%
4.27%

0.42%
0.52%
0.52%
0.52%
0.50%

0.42%
0.52%
0.52%
0.52%
0.50%



Low take rate owners who did not see value in the XIRA did not offer this product. Some who did not use H&R Block software were unable to sell it. Others thought that H&R Block benefited from selling the XIRA at their clients' expense. They felt that they were not trained well enough to make financial investment recommendations to clients.

"We do not sell the XIRA. We do not use H&R Block software, so we can't. And we are in the business of doing taxes, not providing financial advice."

~~"I won't sell it [XIRA] because it pays almost nothing on the investment. I am familiar with various securities that are offered, and I will not sell this. I would sooner tell someone to walk across the street to the bank before I tell them to invest in an XIRA from Block."~~

"When you start telling people what to do with their money, you need the brokerage piece of the training. Block's training of tax pros to provide advice on XIRAs is woefully inadequate. Plus I am suspicious of any product Block would offer because the company is purely in business to make a profit. They don't care about the clients or the owners as long as we keep selling. I am not going to do that."

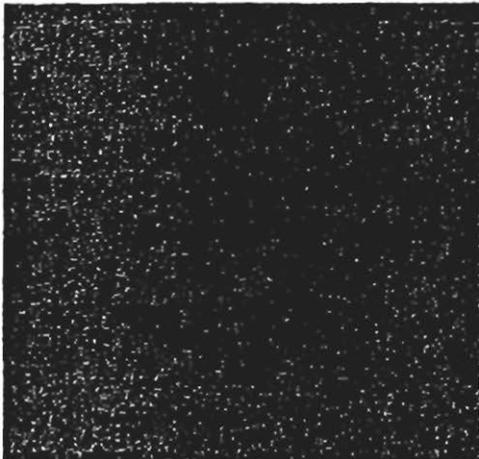
Many said their low income clients were not good candidates for the XIRA because they needed their refunds. Others said that most of their clients had retirement plans at work and would not be interested in the XIRA.

"I mention the XIRA to 1% of my clients. I'll probably get fired or in some kind of trouble for saying that, but I don't care. I think that the people who are getting their \$300 refund back need it."

"We have very few people here who would be interested in this product. Most have limited income, and the rest are already retired. This is a poor town."

"We put out the brochures, but a lot can't afford it or they already have good retirement plans in the factories or muffler shop where they work."

Some said that clients complained about being offered multiple products when all they wanted was to have their taxes prepared. A few said they did not understand the IRA concept. They indicated that they would welcome more training from H&R



H&R BLOCK

**TS05 Product Review
Summary of Results**

May 2005



H&R BLOCK

Express IRA – FY05 Plan

Key Focus Areas

- Improve Tax Professional participation
 - TPS Enhancements
 - Tax Professional Field Guide
 - Improved training materials
- Improve recontribution rate
 - TPS improvements around recontribution
 - Specific focus within training
 - Include in reporting packages for field manager
- Reduce account attrition rate
 - Improve training
 - Increased interest rates
- Improve product profitability
 - Interest rate and spread management
- Product Champion pilot program
 - Approximately 20 test districts with control

FY05 Objectives

Metric	FY05	FY04	FY03	FY02	FY01	FY00	FY99	FY98	FY97	FY96	FY95	FY94	FY93	FY92	FY91	FY90	FY89	FY88	FY87	FY86	FY85	FY84	FY83	FY82	FY81	FY80	FY79	FY78	FY77	FY76	FY75	FY74	FY73	FY72	FY71	FY70	FY69	FY68	FY67	FY66	FY65	FY64	FY63	FY62	FY61	FY60	FY59	FY58	FY57	FY56	FY55	FY54	FY53	FY52	FY51	FY50	FY49	FY48	FY47	FY46	FY45	FY44	FY43	FY42	FY41	FY40	FY39	FY38	FY37	FY36	FY35	FY34	FY33	FY32	FY31	FY30	FY29	FY28	FY27	FY26	FY25	FY24	FY23	FY22	FY21	FY20	FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11	FY10	FY09	FY08	FY07	FY06	FY05	FY04	FY03	FY02	FY01	FY00	FY99	FY98	FY97	FY96	FY95	FY94	FY93	FY92	FY91	FY90	FY89	FY88	FY87	FY86	FY85	FY84	FY83	FY82	FY81	FY80	FY79	FY78	FY77	FY76	FY75	FY74	FY73	FY72	FY71	FY70	FY69	FY68	FY67	FY66	FY65	FY64	FY63	FY62	FY61	FY60	FY59	FY58	FY57	FY56	FY55	FY54	FY53	FY52	FY51	FY50	FY49	FY48	FY47	FY46	FY45	FY44	FY43	FY42	FY41	FY40	FY39	FY38	FY37	FY36	FY35	FY34	FY33	FY32	FY31	FY30	FY29	FY28	FY27	FY26	FY25	FY24	FY23	FY22	FY21	FY20	FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11	FY10	FY09	FY08	FY07	FY06	FY05	FY04	FY03	FY02	FY01	FY00	FY99	FY98	FY97	FY96	FY95	FY94	FY93	FY92	FY91	FY90	FY89	FY88	FY87	FY86	FY85	FY84	FY83	FY82	FY81	FY80	FY79	FY78	FY77	FY76	FY75	FY74	FY73	FY72	FY71	FY70	FY69	FY68	FY67	FY66	FY65	FY64	FY63	FY62	FY61	FY60	FY59	FY58	FY57	FY56	FY55	FY54	FY53	FY52	FY51	FY50	FY49	FY48	FY47	FY46	FY45	FY44	FY43	FY42	FY41	FY40	FY39	FY38	FY37	FY36	FY35	FY34	FY33	FY32	FY31	FY30	FY29	FY28	FY27	FY26	FY25	FY24	FY23	FY22	FY21	FY20	FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11	FY10	FY09	FY08	FY07	FY06	FY05	FY04	FY03	FY02	FY01	FY00	FY99	FY98	FY97	FY96	FY95	FY94	FY93	FY92	FY91	FY90	FY89	FY88	FY87	FY86	FY85	FY84	FY83	FY82	FY81	FY80	FY79	FY78	FY77	FY76	FY75	FY74	FY73	FY72	FY71	FY70	FY69	FY68	FY67	FY66	FY65	FY64	FY63	FY62	FY61	FY60	FY59	FY58	FY57	FY56	FY55	FY54	FY53	FY52	FY51	FY50	FY49	FY48	FY47	FY46	FY45	FY44	FY43	FY42	FY41	FY40	FY39	FY38	FY37	FY36	FY35	FY34	FY33	FY32	FY31	FY30	FY29	FY28	FY27	FY26	FY25	FY24	FY23	FY22	FY21	FY20	FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11	FY10	FY09	FY08	FY07	FY06	FY05	FY04	FY03	FY02	FY01	FY00	FY99	FY98	FY97	FY96	FY95	FY94	FY93	FY92	FY91	FY90	FY89	FY88	FY87	FY86	FY85	FY84	FY83	FY82	FY81	FY80	FY79	FY78	FY77	FY76	FY75	FY74	FY73	FY72	FY71	FY70	FY69	FY68	FY67	FY66	FY65	FY64	FY63	FY62	FY61	FY60	FY59	FY58	FY57	FY56	FY55	FY54	FY53	FY52	FY51	FY50	FY49	FY48	FY47	FY46	FY45	FY44	FY43	FY42	FY41	FY40	FY39	FY38	FY37	FY36	FY35	FY34	FY33	FY32	FY31	FY30	FY29	FY28	FY27	FY26	FY25	FY24	FY23	FY22	FY21	FY20	FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11	FY10	FY09	FY08	FY07	FY06	FY05	FY04	FY03	FY02	FY01	FY00	FY99	FY98	FY97	FY96	FY95	FY94	FY93	FY92	FY91	FY90	FY89	FY88	FY87	FY86	FY85	FY84	FY83	FY82	FY81	FY80	FY79	FY78	FY77	FY76	FY75	FY74	FY73	FY72	FY71	FY70	FY69	FY68	FY67	FY66	FY65	FY64	FY63	FY62	FY61	FY60	FY59	FY58	FY57	FY56	FY55	FY54	FY53	FY52	FY51	FY50	FY49	FY48	FY47	FY46	FY45	FY44	FY43	FY42	FY41	FY40	FY39	FY38	FY37	FY36	FY35	FY34	FY33	FY32	FY31	FY30	FY29	FY28	FY27	FY26	FY25	FY24	FY23	FY22	FY21	FY20	FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11	FY10	FY09	FY08	FY07	FY06	FY05	FY04	FY03	FY02	FY01	FY00	FY99	FY98	FY97	FY96	FY95	FY94	FY93	FY92	FY91	FY90	FY89	FY88	FY87	FY86	FY85	FY84	FY83	FY82	FY81	FY80	FY79	FY78	FY77	FY76	FY75	FY74	FY73	FY72	FY71	FY70	FY69	FY68	FY67	FY66	FY65	FY64	FY63	FY62	FY61	FY60	FY59	FY58	FY57	FY56	FY55	FY54	FY53	FY52	FY51	FY50	FY49	FY48	FY47	FY46	FY45	FY44	FY43	FY42	FY41	FY40	FY39	FY38	FY37	FY36	FY35	FY34	FY33	FY32	FY31	FY30	FY29	FY28	FY27	FY26	FY25	FY24	FY23	FY22	FY21	FY20	FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11	FY10	FY09	FY08	FY07	FY06	FY05	FY04	FY03	FY02	FY01	FY00	FY99	FY98	FY97	FY96	FY95	FY94	FY93	FY92	FY91	FY90	FY89	FY88	FY87	FY86	FY85	FY84	FY83	FY82	FY81	FY80	FY79	FY78	FY77	FY76	FY75	FY74	FY73	FY72	FY71	FY70	FY69	FY68	FY67	FY66	FY65	FY64	FY63	FY62	FY61	FY60	FY59	FY58	FY57	FY56	FY55	FY54	FY53	FY52	FY51	FY50	FY49	FY48	FY47	FY46	FY45	FY44	FY43	FY42	FY41	FY40	FY39	FY38	FY37	FY36	FY35	FY34	FY33	FY32	FY31	FY30	FY29	FY28	FY27	FY26	FY25	FY24	FY23	FY22	FY21	FY20	FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11	FY10	FY09	FY08	FY07	FY06	FY05	FY04	FY03	FY02	FY01	FY00	FY99	FY98	FY97	FY96	FY95	FY94	FY93	FY92	FY91	FY90	FY89	FY88	FY87	FY86	FY85	FY84	FY83	FY82	FY81	FY80	FY79	FY78	FY77	FY76	FY75	FY74	FY73	FY72	FY71	FY70	FY69	FY68	FY67	FY66	FY65	FY64	FY63	FY62	FY61	FY60	FY59	FY58	FY57	FY56	FY55	FY54	FY53	FY52	FY51	FY50	FY49	FY48	FY47	FY46	FY45	FY44	FY43	FY42	FY41	FY40	FY39	FY38	FY37	FY36	FY35	FY34	FY33	FY32	FY31	FY30	FY29	FY28	FY27	FY26	FY25	FY24	FY23	FY22	FY21	FY20	FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11	FY10	FY09	FY08	FY07	FY06	FY05	FY04	FY03	FY02	FY01	FY00	FY99	FY98	FY97	FY96 </
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Express IRA – FY05 Accomplishments

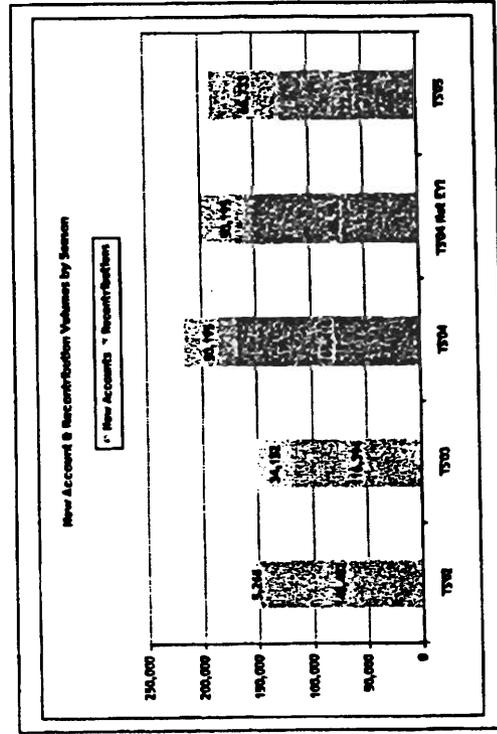
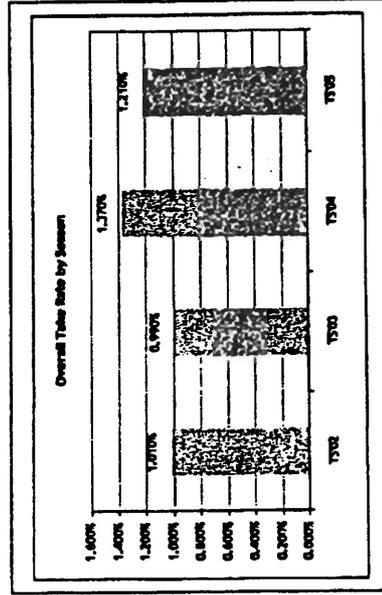
- Developed and distributed over 70k copies of the 'Tax Professional Field Guide'
- Additional reference and support material for tax professionals
- Interest rate environment improvement
- Increased spread from 20b to 125bp on assets
- Subsidy concept is eliminated
- Client interest rate at 1.5% - was 0.8% PY
- Express Yourself program
 - Paid over \$1.8 million to over 35k tax professionals in the first installment of the EY! Program – significant administration involved
 - Additional \$1.4 million will be paid this summer
- Conducted St. Louis Pilot with Retirement Security Project (RSP)
 - Significantly advanced learnings with tax pro education and clients presentation
 - Significant positive PR opportunities
 - Created tight alignment with academic, research, and policy organizations in the asset building community.
- Developed significant outreach program with Express IRA to align with savings, asset-building, and consumer advocate communities
 - RSP, Brookings, CFA, NAF, etc.
- Product Champion Pilot in 20 districts
 - Significant improvements in tax professional participation and client take rate.
- Enhanced Client Service process
 - Enhanced processes surrounding client withdrawals, systematic savings, and other key interactions
 - Unit level customer service costs improved (TBD)
- Enhanced training, awareness, and TPS processes surrounding client recontributions
 - In-office recontribution rate of 33.1% - first year we have measured in this form
 - Recontributions up 33% YOY, increased as a percentage of total contributions from 23% to 35%
- Enhanced statement capabilities
 - Reduced avg. statement size from 1.7 to 1.1 pages
 - Re-architected statement messaging platform to allow segmented messaging
- Tighten account management procedures at FA
 - Ensure low-balance accounts are properly managed (70k account closures prior to tax season)
- Eliminated RAL fee waiver program
 - Increased setup-fee revenues by \$1m
 - Average setup fee incr. from \$6.35 to \$13.35



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Express IRA – FY05 Results

- Added over 120k new accounts this season, with over \$73 million in pledged contributions; also facilitated over 67k recontributions to existing accounts.
 - Total in-office xIRA transactions were just over 188k, compared to just over 215k in the prior year
- Ended the season with 378,669 active accounts with balances - average account size of \$756 and total assets of \$286,413,363
- Overall take rate declined from 1.37% in TS'04 to 1.21% in TS'05
 - decline from 1.84% to 1.62% in c/o
 - decline from 0.46% to 0.41% in franchise
- New account volumes declined from 165,416 (includes Express Yourself accounts) to 122,241
- In-office recontribution rate was 33.1% - recontributions as a percentage of total transactions increased from 25.3% to 35.3%

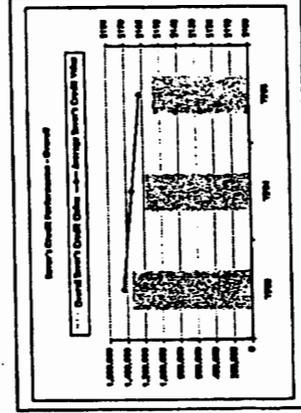
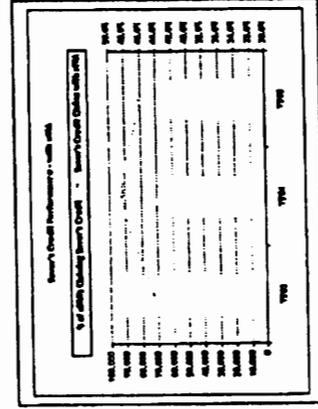
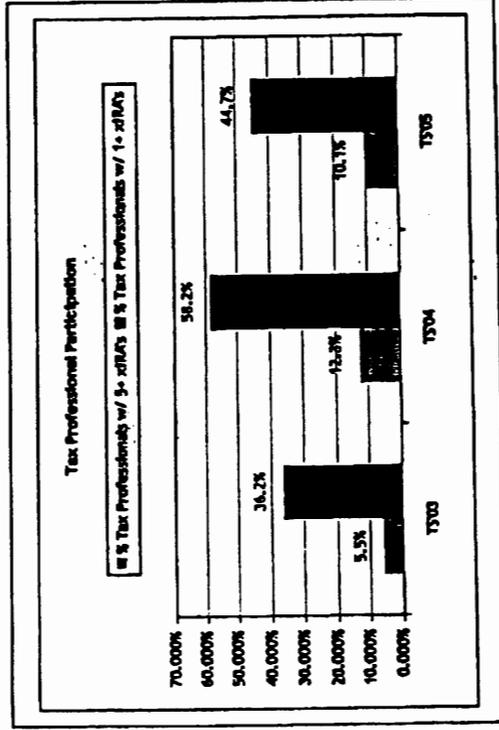




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Express IRA – FY'05 Results

- Tax Pro Participation declined significantly
 - 44.7% of tax professionals completely a return funded one or more xIRA's, compared to 58.2% in TS'04
 - Decline partially attributable to the Express Yourself (EY!) program in TS'04
- Saver's Credit
 - Saver's Credit usage with xIRA held nearly flat, with 42.4% of all xIRA contributions also facilitating access to a Saver's Credit - average value of the credit claimed with an xIRA rose from \$164 to \$175 per client.
 - Overall Saver's Credit claims declined, following the national trend
- Product Champion Pilot (12 districts) produced 0.6% improvement in take rate (over 56% increase over PY) and 23.5% increase in tax professional participation





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Express IRA – FY06 Plan

- Presentation Screens in TPS
 - Tools to assist tax professionals and clients
- Introduction of Express Savings Product
 - Non-qualified savings account
 - Support development of Express Direct account in HRBFA
- Migration to H&R Block Bank
 - Improvements in in-office and post-sale customer services and operational procedures
 - Increased integration and enhancement capabilities
 - Increased flexibility in management of client interest rate & spread
- Product Champion Program
 - Additional field focus, tax professional education & support as an embedded capability within the district
- Product Economics
 - Projected rising interest rate environment and IR strategy yield increases in client rate
 - Address recontribution and maintenance fee
- Alignment of Plastics Program
 - Transactional platform and capability to complement savings platforms

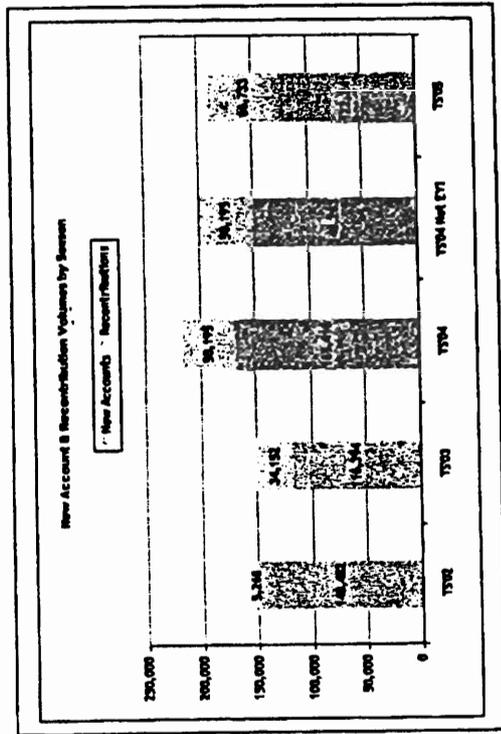
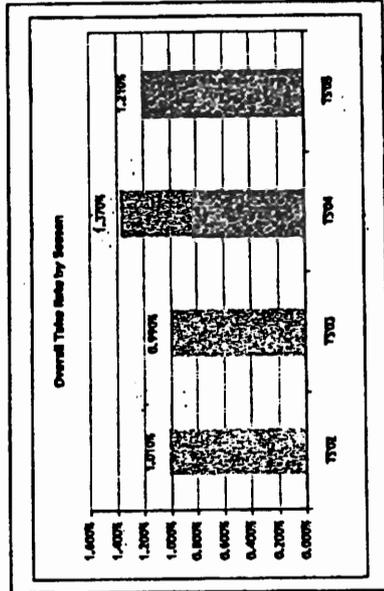
▪ xIRA Only

- New xIRA's: 150,353
- xIRA Recontributions: 95,941
- Total xIRA Transactions: 246,294
- Take Rate: 1.52%
- New Assets: \$130,812,356
- Revenue: \$ 7,601,072 *
- xIRA and xSavings (National)
 - New Accounts: 179,071
 - ✓ xIRA: 105,247; xSav: 73,824
 - Recontributions: 95,941
 - ✓ xIRA: 95,941; xSav: 0
 - Total Transactions: 275,012
 - ✓ xIRA: 194,684; xSav: 73,824
 - Take Rate: 1.70%
 - New Assets: \$143,924,825
 - Revenue: \$ 8,209,689 *

* Revenue includes field, franchise, and corporate revenue, but excludes revenue attributable to complexity increase or increases in client tax return retention

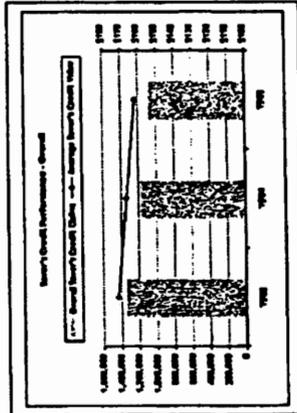
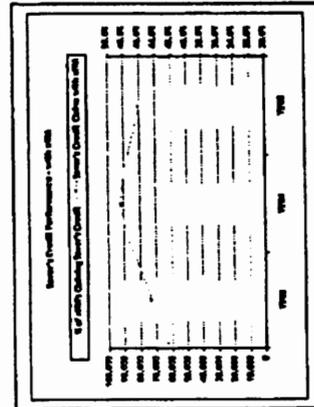
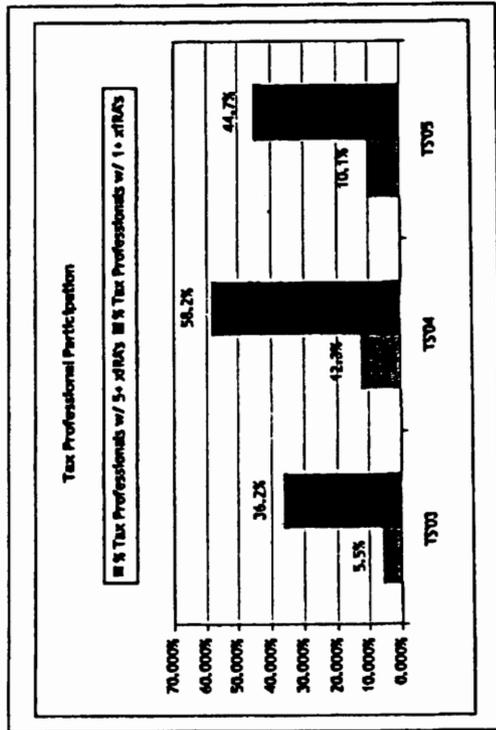
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 - Overall Saver's Credit claims declined, following the national trend
- Product Champion Pilot (12 districts) produced 0.6% improvement in take rate (over 56% increase over PY) and 23.5% increase in tax professional participation
- Client interest rate currently at 1.5%



XIRA Retention

XIRA Retention of Clients That Opened an XIRA in 2002

Client's with Balance 4/30/02	Total Clients with Balance 4/30/02	Client's with Balance 4/30/05	Total Balance 4/30/05	Client's with Balance 4/30/05	Total Balance 4/30/05	XIRA Retention of Clients with Balance on 4/30/02
128,316	\$66,538,527	89,173	\$119,471,494	81,902	79.6%	63.8%

- Only 63.8% of clients that opened an XIRA in 2002 still had a balance in 2005, a lower rate than clients that opened in 2001

XIRA Retention

XIRA Retention of Clients That Opened an XIRA in 2003

Clients With Balance 7/30/03	Total Balance 4/30/05	Clients with Balance 4/30/05	Total Balance 4/30/05	Clients with Balance 4/30/05 and 4/30/03	Total Balance 4/30/05 and 4/30/03	Assets Growth	XIRA Retention of Clients with Balance 4/30/03
101,993	\$55,312,630	71,113	\$77,032,803	70,063	70,063	39.3%	68.7%

- Assets held by clients who opened an account in 2003 grew only 39.3%, which was low compared to clients that opened an account other years



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XIRA Retention

XIRA Retention of Clients That Opened an XIRA in 2004

Clients with Balance 4/30/04	Total Balances 4/30/04	Clients with Balance 4/30/05	Total Balances 4/30/05	Clients with Balance 4/30/04 and 4/30/05	Total Balance 4/30/04 and 4/30/05	Growth	XIRA Retention of Clients with Balance on 4/30/04
139,953	\$75,748,399	114,633	\$101,393,501	113,186	113,186	33.9%	80.9%

There were more clients that opened an account in 2004 than any other year

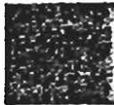
XIRA Retention

Retention of TS04 Company Returns by XIRA Action

XIRA Action in TS04	Company Returns TS04	Predicted Returned	Actual Returned	Retention Delta
No XIRA	9,892,840	6,817,213	6,838,560	69.1%
New (Pledged but did not fund)	34,638	24,890	24,605	71.0%
New (Pledged and funded)	102,714	75,550	83,087	80.9%
Recontrib (Pledged but did not fund)	7,200	5,825	5,982	83.1%
Recontrib (Pledged and funded)	59,007	48,484	51,394	87.1%
Systematic Deposit to XIRA	62,818	45,159	50,746	80.8%
No Pledge to Existing XIRA	78,880	60,584	60,070	76.2%
Closed XIRA*	17,677	13,775	13,243	74.9%
Total	10,255,774	7,091,481	7,127,687	69.5%

*Closed is defined as balances dropping below \$25

- Clients opening and funding a new XIRA account showed the highest retention advantage
- Clients closing an account (indicated by balances dropping below \$25) showed a 3.2 percent retention disadvantage compared to clients without an XIRA



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XIRA Retention

Brokerage Upgrade

Total Accounts Opened 1/1/2001 - 4/30/2005	Upgraded Accounts	Percent of Total	Asset Size (on 4/30/2005) of Upgraded Accounts
571,500	45,855	8.02%	\$97,611,948

- 8.02% of all Express IRAs opened before 4/30/2005 were upgraded to regular IRAs

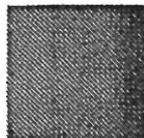
Account Balances over Time

Year Opened	Balance	2001		2002		2003		2004		2005	
		Apr 30	Jan 31	Jan 4	Apr 26	Jan 3	Apr 30	Jan 2	Apr 30	Jan 3	Apr 29
2001	\$0	3,168	1,985	2,796	3,520	3,709	4,172	4,540	8,501	8,858	
	\$0-\$25	110	439	513	1,649	2,245	3,193	3,290	340	377	
	\$25-\$1000	15,815	16,595	15,584	14,062	13,042	11,808	10,942	10,152	9,689	
	\$1000+	3,846	3,920	4,046	3,708	3,943	3,766	4,167	3,946	4,015	
2002	\$0	0	0	13,333	6,810	8,424	11,532	15,169	51,727	54,098	
	\$0-\$25	0	0	6,030	13,445	18,273	29,333	29,446	1,929	2,623	
	\$25-\$1000	0	0	107,048	103,839	92,972	78,960	72,662	64,224	58,168	
	\$1000+	0	0	17,436	19,753	24,178	24,022	26,570	25,967	28,958	
2003	\$0	0	0	0	0	1,648	1,573	3,481	31,897	34,117	
	\$0-\$25	0	0	0	0	6,011	16,988	19,199	1,193	1,737	
	\$25-\$1000	0	0	0	0	84,268	73,805	65,273	55,626	50,594	
	\$1000+	0	0	0	0	15,485	15,046	19,459	18,696	20,964	
2004	\$0	0	0	0	0	0	0	3,640	24,214	28,430	
	\$0-\$25	0	0	0	0	0	0	8,702	928	1,914	
	\$25-\$1000	0	0	0	0	0	0	116,818	103,931	92,307	
	\$1000+	0	0	0	0	0	0	20,225	20,312	26,734	

- Over time, accounts in the \$25-\$1,000 bucket appear to drop below a \$25 balance
- Accounts over \$1,000 tend to hold steady, or increase in number

Express IRA

Pricing Enhancements



H&R BLOCK

Nov. 2003

Prepared by 

H&R Block proprietary and confidential



Contents:

1. Barriers to greater Express IRA penetration
2. Solutions to the barriers
3. Research supporting pricing recommendation
4. Status of pricing change implementation
5. Economics and assumptions of fee waivers

HAI

Agenda:

1. Open discussion
2. Decision

Slide 2

HA1 [REDACTED] 11/3/2003



Barriers to Greater Penetration

1. Lack of Tax Professional Acceptance
 - a. Don't believe it's a competitive product
 - b. Lack of confidence going through mechanics with client
 - c. Don't understand benefits of IRAs and/or Saver's Credit
2. No External Client Awareness
 - a. Not aware that we offer IRAs or of the Saver's Credit
 - b. Don't understand how an IRA can benefit them
3. Infrastructure Limitations
 - a. Field leadership and sales process experience
 - b. Technology
 - c. Training

- Over 63% of tax pros (49k) did not open a single express IRA in TS 03

- 20% of tax pros opened 76% of all accounts in TS03

- Funded express IRA take rate:
- 83bps in TS 03
- 98bps in TS 02



Solutions to Barriers – Lack of Tax Pro Acceptance

1. Don't believe it's a competitive product

Solutions:

- * Enhanced pricing for low to moderate income (LMI) clients, < \$30K AGI
- * Demonstrate through training and p.o.s. visuals the competitiveness of express IRAs
- * Demonstrate the overall client benefit of an express IRA when including tax deduction and Saver's Credit benefit

2. Lack of confidence going through mechanics with client

Solution:

- * Express Yourself (XIRA give away program)

3. Don't understand benefits of IRAs and/or Saver's Credit

Solutions:

- * Training enhancements
- * Tax Product Specialist (internal wholesaler test)
- * Tax Pro pre-season excitement mailer



Pricing Enhancements Description:

- * We estimate 50% to 60% of clients would have their \$15 set up fee waived in TS 2004 if the proposed pricing enhancements are made.
- * The client experience is smooth and doesn't require the tax pro explain all of the waivers
- * Fees are automatically adjusted in TPS
- * Tax Pro still receives compensation (\$5.50)

\$15 Set-up/Recontribution Fee Waivers:

- * LMI clients:
 1. Retirement Saver's Credit eligible (5 million+ clients)
 2. Earned Income Tax Credit filers (2.3 million clients)
 3. RAL takers (5 million clients)
- * Client loyalty / performance based:
 1. Account balances that reach \$2,000 or > with a contribution
 2. Systematic depositors of \$150 per month or >



Hypothesis:

Tax Pros are gating their client's access, especially LMI clients, to Express IRAs due to their belief that the product is not competitive and therefore is not right for 'their' clients.

Top 4 reasons tax pros are not offering the product:

1. \$15 set up fee – "it's too steep for my clients"
2. \$15 retribution fee – "they've already paid once, why charge them again?"
3. Low interest rate – "my client will never make up the fee"
4. \$10 annual maint. fee – "my clients have to pay this in addition to the \$15 fee"

Impact:

From the Tax Pro's perspective, clients are charged more in fees than they will earn in interest

- As a result many don't offer the product to their clients, and in particular, won't offer it to their low-income clients



Research Results

Tax Pros see XIRA fees as a greater problem than do clients...

- Qualitative Tax Pro research indicates the following:
The features of an Express IRA in order of importance are:
 1. Fees
 2. Rate
 3. Convenience of opening the account
 4. Access to funds
 5. Security

- Quantitative client research indicates the following:
The features of an Express IRA in order of importance are:
 1. Security
 2. Fees
 3. Rate
 4. Access to funds
 5. Convenience of opening the account

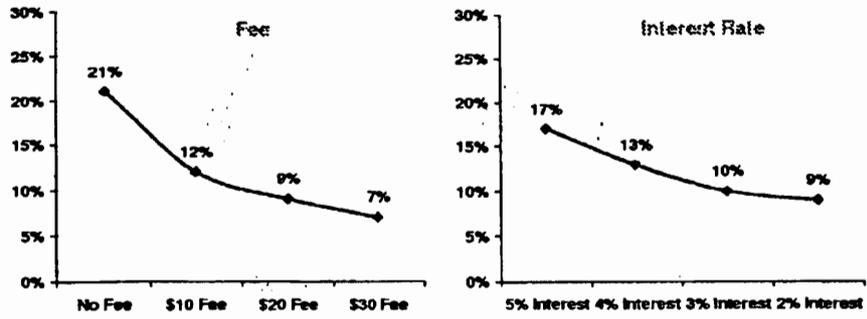
Source: Directors Research Inc., "Express IRA Fee and Rate Study", Aug. 2002



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Pricing Research

Purchase Estimates for Express IRA



- * A no fee XIRA has nearly twice as much purchase interest than a \$15 fee XIRA
- * Clients are more sensitive to fees than to rate

Source: Directors Research Inc., "Express IRA Fee and Rate Study", Aug. 2002



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Pricing Research

- * The research would suggest a 2% take rate (current TS'04 plan) is not possible with the current fee structure (\$15 set up fee)
- * Research indicates penetration improvement is more sensitive to fee decreases than to rate increases.
- * Reinforces assumption that a "no fee" product is important to drive penetration.

		Fee			
		\$ 30.00	\$ 20.00	\$ 10.00	\$ -
Rate	2.0%	0.62%	1.11%	0.98%	2.20%
	3.0%	0.94%	0.93%	1.25%	2.46%
	4.0%	0.93%	1.27%	1.92%	2.93%
	5.0%	1.33%	1.64%	2.51%	3.78%

Expected Penetration Rate

Source: Directions Research Inc., "Express IRA Fee and Rate Study", Aug. 2002

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Pricing Rationale

Tax Revenue Improvement

HRB Psyde Segment	No XIRA	XIRA	\$ Difference	% Difference
01: Young Strugglers	\$ 127.67	\$ 147.10	\$ 19.44	15.2%
02: Working Class Renters	\$ 134.60	\$ 148.44	\$ 13.84	10.3%
03: Working Class Owners	\$ 137.80	\$ 151.44	\$ 13.63	9.9%
04: Settled Conservatives	\$ 126.11	\$ 145.84	\$ 19.72	15.6%
05: Retired	\$ 126.83	\$ 142.12	\$ 15.29	12.1%
06: Striving Professionals	\$ 140.79	\$ 153.90	\$ 13.11	9.3%
07: Mid Income	\$ 147.87	\$ 148.70	\$ 0.84	0.6%
08: Investors	\$ 153.92	\$ 153.76	\$ (0.16)	-0.1%
09: Wealth Market	\$ 186.13	\$ 153.29	\$ (32.84)	-17.6%
Weighted Average	\$ 135.53	\$ 149.35	\$ 13.82	10.2%

Note: Tax revenue shown does not include Express IRA fees

Significant lift in return complexity helps offset need for the \$15 fee

- Express IRA clients are on average \$13.82 higher in tax revenue than similar clients with no Express IRA
- Increase is driven by tax return complexity:
 - 1040 migration, (EZ to 1040 reg.), IRA forms, Saver's Credit forms, worksheets

Source: Corp. Analytics, account data through 4/21/03, represents company, new accounts only

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Pricing Rationale

Increased penetration will more than offset price reductions

Volume Forecast:	15 2004		15 2004		Fees Waived	Fees Charged
	Accounts	Mls	Accounts	Mls		
Baseline - New Accounts	112,891	30.0%	58,810,946	40.5%	26,506	73,373
Baseline - Recontributions	43,225	14.9%	26,583,375	18.3%	10,806	32,418
Organic 3rd year growth (20bps)	47,004	15.2%	24,488,831	16.8%	15,451	30,552
Baseline - Total	203,110	70.2%	109,883,252	75.7%	66,766	136,344
LMI Incentives:						
Saver's Credit Eligible	47,189	16.3%	17,609,625	12.2%	47,189	-
ETC Filers	11,615	4.0%	4,355,625	3.0%	11,615	-
RPL Takers	25,017	8.6%	8,381,375	6.5%	25,017	-
Performance Based Accts	2,500	0.9%	3,750,000	2.8%	2,500	-
Total Incremental Accts	86,331	29.8%	36,196,625	24.3%	86,331	-
Total Unique Client Deposits	289,441	100.0%	145,069,877	100.0%	153,097	136,344

Opportunity Cost Analysis:

Fee Revenue Collected	\$ 2,045,156
Forecasted Revenue	(2,060,000)
Offset from opportunity cost	(1,014,844)
Offset from greater account penetration:	
Complexity \$1 from incremental accounts (289K-240K) (13.82)	683,269
Ann. maintenance fee rev. from incremental accounts (\$10 ea. @80%)	395,525
Spread income from incremental accounts (20bps over FY 05)	74,340
Incremental termination fee income	97,122
Total Offsets	1,250,256
Net benefit due to greater penetration	\$ 235,412

Source: Express Program Model

Note: Retention improvement benefits are not included

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Pricing Enhancements Status

- * This program is almost completely implemented into all US Tax systems:
 - * TPS, training, marketing, merchandising, communications, etc.
- * It is not possible to remove it at this point without problems occurring
- * Many clients already know about it, a mitigation plan is needed for those clients if we chose to pull the program

Item	Volume	Status
1. Client Care Calling Program	3,000,000	Nearly 500K contacted - too late
2. Guaranteed Loan Offer (GLO) mailing	10,000	Already included - too late
3. Skills for Success training materials	90,000	Already included - too late
4. Training Product Cards	90,000	Already printed - too late
5. Skills for Success Instructor manuals	1,500	Already included - on hold
6. TPS enhancements	n/a	Already Done - tier 2 removal possible
7. Recon system enhancements	n/a	Already Done - later removal possible
8. XIRA calculator charts (merchandising)	300,000	Printing on hold
9. XIRA table tents (merchandising)	6,000	Printing on hold
10. Tax pro pre-season awareness mailer	90,000	Stripped out fee waivers
11. Nat'l convention signage & materials	1,500	Stripped out fee waivers
12. Saver's Credit direct mail campaign	90,000	Stripped out fee waivers



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Volume & Take Rate Forecast

When including the expected impact of all Express IRA programs, it is logical to move the forecast higher...

	TS03 Actual		TS04 Plan		TS04 Forecast	
	Accounts	Take Rate	Accounts	Take Rate	Accounts	Take Rate
Baseline (new & recontributions)	126,514	0.83%	156,106	0.99%	156,106	0.99%
Organic 3rd year growth	-	0.00%	83,894	0.53%	15,666	0.10%
Total	126,514	0.00%	240,000	1.52%	171,774	1.09%
LMI Client Incentives						
Saver's Credit Eligible	-	0.00%	-	0.00%	47,119	0.30%
ETC Filers	-	0.00%	-	0.00%	11,615	0.07%
RAL Takers	-	0.00%	-	0.00%	25,017	0.16%
Performance Based Accounts	-	0.00%	-	0.00%	2,500	0.02%
Total Price Driven Volume	-	0.00%	-	0.00%	86,250	0.55%
Express Yourself - Client Accounts	-	0.00%	-	0.00%	66,637	0.42%
B/A National Ad - Express IRA	-	0.00%	30,000	0.19%	30,000	0.19%
Total Client Accounts	126,514	0.00%	270,000	1.71%	354,641	2.25%
Express Yourself - Tax Pro Accounts	-	0.00%	-	0.00%	52,739	0.33%
Total Funded Accounts	126,514	0.83%	270,000	1.71%	407,400	2.58%

Source: Express Program Model



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Break-Even Model Assumptions

Revenues from incremental accounts covers opportunity cost of all other clients where the \$15 fee would otherwise be charged

Saver's Credit-Based XIRA Fee Waiver:

- Target client base: 3.8mm SC eligible clients with no 401(K) or IRA
- 84bps penetration rate needed to break-even (31,600 accounts)
- Assumed an improvement in the retribution rate from 17.5% to 35%

RAL-Based XIRA Fee Waiver:

- Target client base: 4.9mm RAL clients
- 8bps penetration rate needed to break-even (4,200 accounts)
- Assumed an improvement in the retribution rate from 17.5% to 35%

EITC-Based XIRA Fee Waiver:

- Target client base: 2.3mm EITC clients
- 20bps penetration rate needed to break-even (4,700 accounts)
- Assumed an improvement in the retribution rate from 17.5% to 35%

Asset-Based XIRA Fee Waivers:

- Target client base: 85k new and existing accounts in a 'sweet spot' defined as:
 - Those that could make a contribution and move up the a \$2,000 balance
 - Those that will enroll in a \$150/mo systematic deposit or move up to \$150/mo
- Currently we have 16,500 accounts with \$2,000 or > that we would forgo fees.
- 20% of target accounts to contribute more assets to break-even (17,700 accts)
- Assumed an improvement in the retribution rate from 17.5% to 35%

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Source: Express Program Model



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Break-Even Pricing Model

Pricing Model P&L

(break-even scenarios)

	Incremental XIRAs - SC Waiver	Incremental XIRAs - RAI Waiver	Incremental XIRAs - BTC Waiver	Incremental XIRAs - Asset Waiver
Revenues				
Base SC Form Revenue (last year's pricing)	\$ 348,896	\$ 35,823	\$ 41,090	\$ 164,818
Incremental SC Form Revenues	-	-	-	-
IRA Form Revenues	332,162	34,085	39,070	156,580
Deposit Fee	-	-	-	-
Annual Maint. Fee	252,940	33,344	37,716	26,557
Termination Fees	46,191	4,741	5,433	21,774
Spread Income	73,805	7,586	8,603	49,255
Foregone Deposit Fees	(667,218)	(75,868)	(86,445)	(236,263)
Total Revenues	366,974	39,721	45,518	182,418
Variable Expenses				
Household Bank Fees	73,805	7,586	8,603	34,839
Tax Pro Comp.	313,070	32,135	36,825	147,980
Total Variable Expenses	386,874	39,721	45,518	182,418
Pre-tax Contribution (\$0 = breakeven)	\$ 0	\$ 0	\$ 0	\$ 0
Incremental Express Volumes:				
New XIRA Accounts (or Higher asset acct)	31,617	4,168	4,714	17,708
Improved XIRA Recontributions	9,441	46	115	1,650
Total Incremental Deposits	41,058	4,214	4,829	19,358
Target Client Base	3,767,780	4,994,008	2,300,000	85,000
Incremental Penetration Rate	0.84%	0.08%	0.20%	20.83%

Source: Express Program Model



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Break-Even Pricing Model

Pricing Model Detailed Assumptions (break-even scenarios)

Assumptions:	Base XIRA Volume	Incremental XIRAs - SC Waiver	Incremental XIRAs - RAL Waiver	Incremental XIRAs - ETC Waiver	Incremental XIRAs - Asset Waiver
Target Client Base	3,767,780	4,954,008	2,300,090	85,000	
Incremental Penetration Rate	0.64%	0.00%	0.20%	20.83%	
% of RAL or ETC clients with an XIRA	-	-	0.101%	0.201%	-
XIRA Baseline penetration of all Tax Returns	0.83%	-	-	-	-
Estimated TSD-4 Tax Returns	15,677,802	-	-	-	-
Estimated TSD-4 IRAs	2,102,187	-	-	-	-
Baseline XIRA accounts	91,857	53,848	-	-	16,500
Existing XIRA accounts	292,258	-	-	-	-
Existing Account Mix	63%	37%	-	37%	37%
Base Reconciliation rate	17.5%	17.5%	17.5%	17.5%	85.0%
Improved Reconciliation Rate	0.0%	25.0%	25.0%	25.0%	95.0%
Attrition rate	4.5%	4.5%	4.5%	4.5%	4.5%
Deposit fee	\$ 15.00	\$ -	\$ -	\$ -	\$ -
Forgone Deposit fee	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00
Form Fees					
IRA Forms	\$ 8.09	\$ 8.09	\$ 8.09	\$ 8.09	\$ 8.09
Savers Check Form (proposed)	\$ 8.50	\$ 8.50	\$ 8.50	\$ 8.50	\$ 8.50
Savers Check Form (actual TS 2009)	\$ 8.50	\$ 8.50	\$ 8.50	\$ 8.50	\$ 8.50
Annual Maint. Fee	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00
Household Bank Fee	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00
Tax Pro Compensation	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00
Tax Pro Unit Bonus	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00
Tax Pro Commission	25%	25%	25%	25%	25%
Termination Fee	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00
Spread Income	0.30%	0.30%	0.30%	0.30%	0.30%
Incremental Average Assets	\$ 171,899,780	\$ 24,834,980	\$ 2,528,080	\$ 2,887,878	\$ 18,451,838
Annual Maint. Fee % assessed	80%	80%	80%	80%	10%
Avg. Account Balance	600	600	600	600	600

Source: Express Program Model

From: on behalf of [REDACTED]
Sent: Wednesday, August 13, 2003 8:22 PM
To: [REDACTED]
Cc: [REDACTED]
Subject: RE: Video Commercials Status and Treatment

There are also other things we may or may not want to include in the XIRA commercial such as mentioning the free XIRA options (Saver's Credit and RAL bundles) or the funded XIRA for tax pros offer (tax pros get an XIRA funded in their name).

I agree that the using the term "retirement" is too long-term of a descriptor. Retirement as commonly defined by most people is not a likely reality for most of our XIRA clients. Their savings needs are more short-term in nature.

Rather than create a huge email thread, we should probably have a quick meeting to discuss our options.

Thoughts [REDACTED]?

Thanks,
[REDACTED]

-----Original Message-----

From: [REDACTED]
Sent: Wednesday, August 13, 2003 2:07 PM
To: [REDACTED]
Cc: [REDACTED]
Subject: RE: Video Commercials Status and Treatment

Hi there-
I have some concerns with this commercial.

1. It focuses on long term. I know that the audience is tax pro—but if long term is a key message that they feel is being pushed down upon by the corporate office, most likely, they will communicate long term to our clients. We know that our clients aren't focused on long term. Our research indicates this year after year. We have an opportunity to communicate to a captive audience of tax pros, and I think we should leverage a different message.
2. The key messages that tax pros want addressed with offering Express IRA are: 1) Knowing that the account opening process is easier than ever before and 2) knowing that Express IRA is competitive. This has also been addressed in our tax pro research.

I really think we need to use the video as a lever against the 2 tax pro barriers stated above.

[REDACTED]

[REDACTED]
Express Products Marketing
phone: [REDACTED]
fax: [REDACTED]
[REDACTED]@hrblock.com

-----Original Message-----

From: [REDACTED]
Sent: Wednesday, August 13, 2003 11:51 AM
To: [REDACTED]
Subject: FW: Video Commercials Status and Treatment

FYI

-----Original Message-----

From: [REDACTED]
Sent: Wednesday, August 13, 2003 11:34 AM
To: [REDACTED]
Cc: [REDACTED]
Subject: Video Commercials Status and Treatment

We are adopting two types of treatment for the video commercials. Here's what we have planned:

--Emotional approach: These will use tax professionals to pledge their commitment to the client, and to making a difference to the client using the product or service featured. This approach is appropriate for those items that we want to ensure that tax pros are compliant and feel good about making the effort with every client . . . and for which there is not a lot of baggage. I've slated the following topics for this approach:

- e-file
- Express IRA (there is baggage on this one, but the emotional appeal seems most appropriate)
- Send-a-Friend

--Edgy/humorous approach: These will feature an actor who starts off "speaking the mind" of tax pros who have issues with the product or service being featured. Each spot will turn on itself at the end, with the actor endorsing the product instead of being irritated by it. I think this will really hit home with the tax pros, and give great "aha" moments. This approach is appropriate for those items that the tax pros think are outside the realm of tax prep and are things that "corporate" is pushing but that they may not buy into. I've slated the following topics for this approach:

- e-solutions
- mortgage
- FA
- POM (I almost put this one in the other category because of the compliance perspective, but think it will be more effective from this approach)

I've attached drafts of the four that I have seen so far and welcome your feedback and thoughts. I expect to have initial drafts of the remaining three this week.

<< File: HRBscripts8_11.doc >>

[REDACTED], EA
H&R Bloch Knowledge Development
Voice: [REDACTED]
Fax: [REDACTED]

From: [REDACTED]
Sent: Thursday, March 27, 2003 2:34 PM
To: [REDACTED]
Subject: RE: Continuation of Systematic XIRA

[REDACTED],

The re-contribution rate right now is at 21.9% - way below what we expected. We'll be doing a lot more detailed analysis of this as part of our TS '03 post mortem.

The number of express IRA deposit checks received so far this tax season is 3,555. However, I checked with the CSO and they are not differentiating checks that come with applications versus those that are mailed in for existing accounts. I asked them to speculate and they thought 75% of them were for new accounts. Therefore, you could assume the other 25% (approx 889 accounts) were mailed in to avoid the \$15 fee. Though, some of those checks may be normal re-contributions and not a direct attempt to avoid the fee. Worst case - it appears the opportunity loss was fairly small: \$13K or so.

Hope that helps,
[REDACTED]

-----Original Message-----

From: [REDACTED]
Sent: Wednesday, March 26, 2003 9:25 PM
To: [REDACTED]
Subject: RE: Continuation of Systematic XIRA

Did you get the updated stats on re-contributions?

Also -- who can provide the stats on deposits through the mail? Is it correct that these would bypass teh \$15 fee?

-----Original Message-----

From: [REDACTED]
Sent: Sunday, March 23, 2003 10:39 PM
To: [REDACTED]
Subject: RE: Continuation of Systematic XIRA

I am having some numbers run now re-contributions to accounts opened last year. In gross terms, the re-contribution rate is around 24%. However, this number needs to be refined to adjust for time of the year differences, prior year new accounts only and mailed in checks.

I hope they aren't mailing anything to Detroit since all the processing is happening in KC! I am checking with the investor center to see what this number is. I believe they are tracking deposits separately that come in through the mail.

[REDACTED]

-----Original Message-----

From: [REDACTED]
Sent: Saturday, March 22, 2003 9:23 AM
To: [REDACTED]
Subject: Continuation of Systematic XIRA

[REDACTED] --

Is anyone looking at how many clients that opened XIRA last year, are returning to our offices this year and continuing their contributions?

Also - we heard that some TPs are encouraging clients to simply send in a check directly to Detroit, thereby avoiding the \$15 fee we charge. Is that true that the fee is avoided? Any way to know how many of those we have?

[REDACTED]
[REDACTED]@hrblock.com

From: [REDACTED]
Sent: Thursday, November 07, 2002 6:20 PM
To: Value 3 Suggestions
Subject: RE: Suggestion from: Anonymous

Beginning in January, we will be improving the interest rate offered this year for the H&R Block express products. Even though the Federal Reserve has lowered interest rates since last tax season, we will still be offering an improved interest rate. We are currently analyzing additional banking products and services such as CD's, and regular savings accounts.

We realize that a money market interest rate does not offer above average yields. However, many of our clients investing for the first time have told us that their primary concern is principal preservation, hence the FDIC insured fund. If a client wishes to be more aggressive in their investment choices and possibly achieve a greater rate of return, they can always visit with one of our licensed financial advisors to upgrade their existing express IRA.

Thanks,
[REDACTED]
Director of Express Programs

-----Original Message-----
From: Value 3 Suggestions
Sent: Thursday, September 26, 2002 9:41 AM
To: [REDACTED]
Subject: FW: Suggestion from: Anonymous

This message is forwarded to you on behalf of the Value³ team. Please copy value3suggestions@hrblock.com when you reply. If you are not the correct person to respond to this message, please forward appropriately. Thank you.

Value³ team

-----Original Message-----
From: [REDACTED] [mailto:[REDACTED]]
Sent: Wednesday, September 25, 2002 2:48 PM
To: Value 3 Suggestions
Subject: Suggestion from: Anonymous

Name: Anonymous
Comments: Could cd,s be considered in addition to money markets for customers IRAs. I beleive they can be sold without a license and may have a slightly better return then the money market being marketed. Last year's money market offered reflected poorly on H&R Block.

From: [REDACTED]
Sent: Tuesday, April 30, 2002 8:44 PM
To: [REDACTED]
Subject: RE: Did you know....

how about Yugo/Ferrari

-----Original Message-----

From: [REDACTED]
Sent: Tuesday, April 30, 2002 2:44 PM
To: [REDACTED]
Subject: RE: Did you know....

how about Hyundai/Mercedes?

[REDACTED]
HRBFA Detroit
v - [REDACTED] - direct line
f - [REDACTED]

-----Original Message-----

From: [REDACTED]
Sent: Tuesday, April 30, 2002 3:36 PM
To: [REDACTED]
Subject: RE: Did you know....

How about Toyota/Lexus?

[REDACTED]
HRBFA, Financial Management
Manager-Financial Analysis
ph [REDACTED]
fm.hrb@rock.net

-----Original Message-----

From: [REDACTED]
Sent: Tuesday, April 30, 2002 2:21 PM
To: [REDACTED]
Subject: RE: Did you know....

So who do we want to be? Ruth Chris or Ronald McDonald?

[REDACTED]
HRBFA Detroit
v - [REDACTED] - direct line
f - [REDACTED]

-----Original Message-----

From: [REDACTED]
Sent: Tuesday, April 30, 2002 3:20 PM
To: [REDACTED]
Subject: RE: Did you know....

This is a crazy assumption. We would never, ever, never in a million years, promote a service level for our "express" clients that had them meeting with advisors one on one. The only "human" our express clients would ever interact with would be the tax pro or someone at a call center. Now, if an express client wanted to be upsold, that's a different story...

—Original Message—

From: [REDACTED]
Sent: Tuesday, April 30, 2002 12:55 PM
To: [REDACTED]
Subject: Did you know....

that the average XIRA account brought on board this year has assets of \$517?

we are 'recruiting' brokers with average annual production of \$200-300K in annual production?

Now let's tie those two thoughts together.....

If as a company we can generate 2% annual production on assets (which would be pretty good), the type of broker we're actively recruiting, would need 29,000 XIRA clients to achieve the desired production. Assuming in our new model a broker only needs to meet with a client once a year (pretty poor service if you ask me) our new 'home grown' broker will have 116 appointments a day to get through his clients in a year, or 14 an hour.

[REDACTED]
HRBFA Detroit
v - [REDACTED] - direct line
f - [REDACTED]

From: [REDACTED]
Sent: Thursday, August 22, 2002 4:31 PM
Subject: [REDACTED] Era Presentation

Attachments: [REDACTED] EIRA Presentation.ppt



[REDACTED] EIRA
Presentation.ppt..

<< [REDACTED] EIRA Presentation.ppt >>

[REDACTED]

tel [REDACTED]
fax [REDACTED]

 EIRA Presentation

8/22/02 DRAFT

Outline

- **Intro**
 - (Rapport-funny story)
 - Segue to what EIRA Means to HRB/ the mission(?)
 - Demonstration of the value of being a financial partner (the added value OF the brand to our clients because of the EIRA)
 - Tax client retention (value TO the brand because of the EIRA)
- **Recap TS2002**
 - Key Learnings: facts/numbers and qualitative/research
 - Key issues
- **TS 2003 Plan**
 - Enhanced support for tax pros

~~Product Enhancements, enhanced features~~

Recap of TS 2002

- **Facts and numbers**
 - Total accounts
 - Total assets
 - Average account contribution increased from 01 from x to x
 - % of 01 EIRA clients that contributed in 02
 - Number of tax pros that opened an EIRA
 - X% opened x% (90/10?)

Recap of TS 2002

- **Research Learnings**
 - Interest rate too low
 - Fees too high
 - Principal protection & FDIC insured is important

Recap of TS 2002

- **Service Issues**
 - Processing
 - Physical checks
 - 800 # problem for tax pros

TS 2003 Plan for EIRA

- **Enhanced features**
 - **Increased interest rate**
 - **Low/no fee**

TS 2003 Plan

- **Tax Pro Support**
 - New 800 # call center support
 - EIRA incorporated thruout training
 - Enhanced simplicity within TPS
 - Improved support materials

NEXT

- Q&A
 - Tax pro comp ?

From: [REDACTED]
Sent: Monday, August 26, 2002 5:56 PM
To: [REDACTED] ([REDACTED])
Subject: Express IRA 082702 ver1.0.ppt
Attachments: Express IRA 082702 ver1.0.ppt



H&R BLOCK

Express IRA

SVP Channel Development



H&R BLOCK

Agenda

- Express IRA Benefits
- Express IRA '02 Recap
- TS03 Improvements & Plan
- Q & A



H&R BLOCK

Express IRA Benefits

Significant opportunity for success.

⌘ Clients

- Helps first time savers get started saving
- Simplicity & convenience
- Ability to access financial products and services

⌘ Tax Pros

- Added client value
- Relationship depth and trust
- Compensation

⌘ Company

- Client retention
- Lifetime client value



H&R BLOCK

Express IRA 2002 Recap

Very successful first year introduction.

- ⌘ 130,000 Accounts, 1.5 % penetration
- ⌘ Average deposit of \$500
- ⌘ 45% of TS01 EIRA clients re-deposited \$750 in '02 - Average \$750
- ⌘ Tax Pros - 10% opened 90% of all accounts, 50% opened at least one
- ⌘ 65% of all EIRA's were opened by clients with incomes < \$30,000
- ⌘ Client retention improved by 5 percentage points get to the point



H&R BLOCK

Express IRA 2002 Recap

Clients liked the service but were left wanting more.

- ⌘ Rates too low
- ⌘ Fees too high
- ⌘ Liked simplicity and convenience
- ⌘ Principal protection critical
- ⌘ Accepted and many times expected this service from H&R Block
- ⌘ Want more information in the office when they buy



H&R BLOCK

Express IRA 2002 Recap

Tax Pros need more support.

- ⌘ Problems in processing of physical checks
- ⌘ Telephone support issues
- ⌘ Insufficient training resources and TPS practice opportunities



H&R BLOCK

2003 Improvements & Plan

Significantly improved features to drive retention.

⌘ Improved Rates

- Last year - .75%
- This year - 1.75% - 2.00% or higher (TBD)

⌘ Reduced Fees

- Last year - \$15 set up and \$10 annual maintenance
- This year - No set up and no/low annual maintenance fee (TBD)



H&R BLOCK

2003 Improvements & Plan

Support for Tax Pro's will be improved.

- ⌘ New telephone support team
- ⌘ Express IRA incorporated throughout training processes
- ⌘ Simpler TPS screens
- ⌘ Improved support & reference materials
- ⌘ New client take away pieces in the office



H&R BLOCK

2003 Improvements & Plan

Why H&R Block Bank?

- ⌘ Added flexibility to enhance client value
- ⌘ Reduces pressure on fees and spread
- ⌘ Aligned with Option One strategies



Success Factors

How will we know?

- ⌘ Volume
- ⌘ Fewer rescissions
- ⌘ Larger average deposits
- ⌘ Greater retention
- ⌘ Tax Pro confidence in product and client penetration



Recap

- ☒ Clients want this service
- ☒ Unique and large opportunity
- ☒ Significant improvements have been made
- ☒ Bank creates flexibility
- ☒ Poised for success



Q & A

■

■

■

■

■

■



H&R BLOCK



From: on behalf of [REDACTED]
Sent: Friday, August 02, 2002 3:42 PM
To: [REDACTED]
Cc: [REDACTED]
Subject: Express IRA Fee/Return Quant Study Proposal
Attachments: XIRA fee return proposal.doc; Microsoft Word Picture

[REDACTED]

Here is the proposal for the Express IRA Fee/Return Quant study. I think that this approach is more in line to meet your expected outcome. Ultimately, we will be about to determine the optimal fee and rate of return for the XIRA.

Objective

- To determine the optimal fee/return structure that will maximize sales at the lowest cost to H&R Block.

Methodology

- A quantitative telephone survey among 300 current H&R Block tax clients who have NOT purchased an XIRA. Respondents will participate in a discrete choice study where they will evaluate multiple choice scenarios or product profiles. The products evaluated are unique combinations of the fees and rates of interest. Respondents will be exposed to different sets of products to ensure reliable estimation of each feature and its levels. The results will yield a utility value. Utilities express the impact that each attribute level has on a consumer's purchase intention or preference. These utilities will be used to report the relative importance of each attribute as well as the utility of each attribute level. The following is an example of the results.



XIRA fee return proposal.doc (...)

Timing

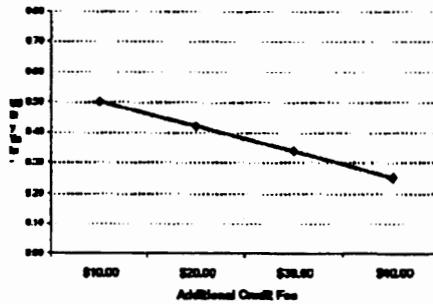
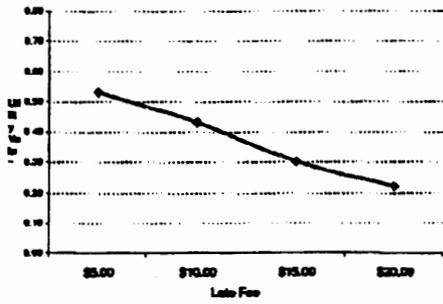
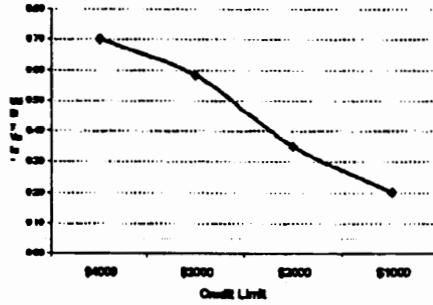
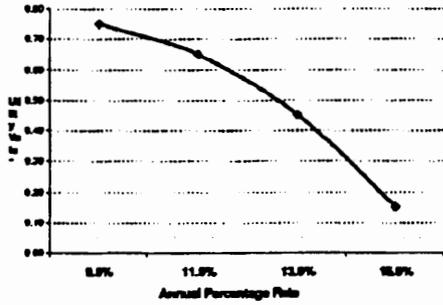
- If the study is approved by Monday, Aug 5, a topline report will be available the week of Aug 26. A full report will be available two weeks after the topline.

Costs

- The cost to conduct this research will be approximately \$22,000.

The proposal is attached. Please let me know if you have any questions or would like to meet to discuss. I will wait for your approval before moving forward with this project.

Example Output
Attribute-Level Utility Values
Product Attributes



[Redacted]
 Senior Marketing Research Analyst
 H&R Block
 [Redacted]

[REDACTED] Phone: [REDACTED]

Fax [REDACTED]

August 1, 2002

[REDACTED]
H&R Block
4400 Main Street
Kansas City MO

Re: Express IRA Fee/Return Research Study

Dear [REDACTED]:

Thanks for the opportunity to put forth our thinking on this research project. I have outlined our proposed method and costs below.

Background and Objectives

The HRBFA Group is interested in optimizing its Express IRA ("XIRA") offering. Currently the product is offered at a \$15 initial fee with less than a 1% rate of return. Recognizing that this is not competitive with other IRAs in the market, they are interested in testing various fee and return options to induce more purchases across the Tax Client base.

The specific objective of this research is to:

- determine the optimal fee/return structure that will maximize sales at the lowest cost to H&R Block.

Research Method

A quantitative telephone survey among current H&R Block tax clients who have NOT purchased an XIRA is proposed. In total, 300 interviews will be conducted. Respondents will be drawn from a client list provided by H&R Block. It is anticipated that the interview will be 10 minutes in duration.

Respondents will participate in a discrete choice study where they will evaluate multiple choice scenarios or product profiles. The products evaluated are unique combinations of the fees and rates of interest. They will also be asked to evaluate each versus "current market offerings" that they may be aware of. As analytical input, information

regarding current savings/retirement planning will be collected (employer based retirement/401(k), individual IRAs). Additionally, there will be several "descriptive statements" regarding the XIRA that will be exposed to each respondent and reactions to each in terms of personal relevancy and importance when choosing an investment product will be explored. Finally, in order to determine how best to describe "rate of return", respondents will be asked to react to several different ways of describing it (rate of return versus yield after X months).

Note: It is our recommendation that interviews NOT be conducted with current XIRA customers. Beyond the potential risk of alienating these customers with descriptions of a "better deal" than the one they received, it seems reasonable to assume that if they took the product at the current fee/return structure, any of the proposed options would be almost guaranteed to also induce purchase.

Analytical Output

The results of this approach will yield several analytical constructs:

Conjoint analysis: In the "real world", consumers make choices in the marketplace based on the value they assign to various features. A basic premise of conjoint analysis is that preference for a specific product is composed of the sum of its individual attributes. Conjoint analysis will enable the researcher to quantify the value that consumers place on each of the product features.

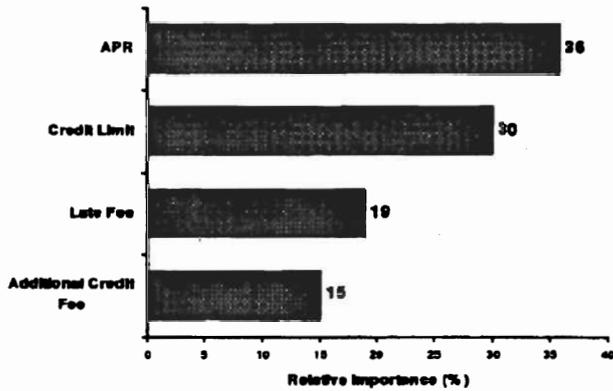
Respondents will be presented with a variety of different choice tasks in which they study pairs of product offerings (in this case, rates of return and fees) and select which one, if any, they would purchase. Each respondent will repeat the choice task for a number of different product configurations where the attributes and levels vary. Respondents will be exposed to different sets of products to ensure reliable estimation of each feature and its levels.

The fundamental calculation in conjoint analysis is the utility value. Utilities express the impact that each attribute level has on a consumer's purchase intention or preference. The higher the utility value, the more strongly associated the specific attribute level is with consumer preference. These utilities will be used to report the relative importance

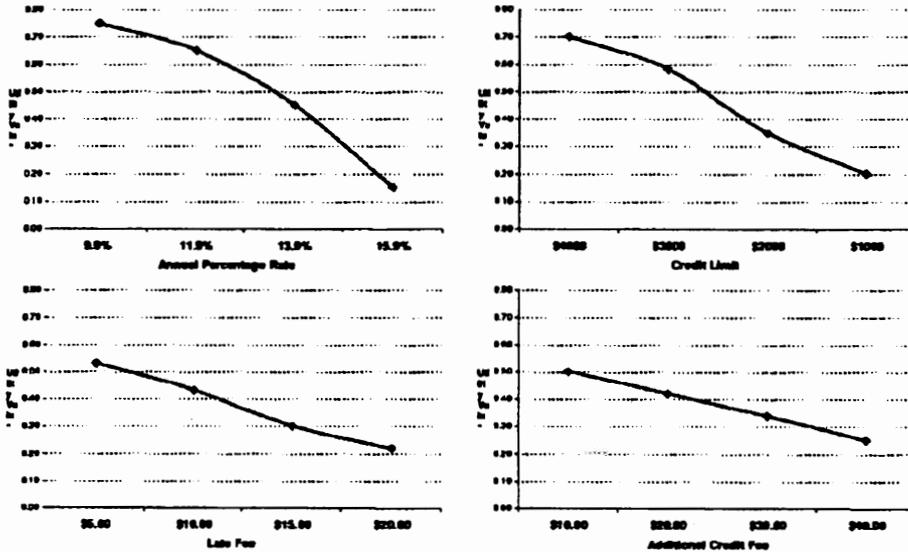
of each attribute as well as the utility of each attribute level. The following two charts provide an example of this output:

Example Output
Relative Importance of Product Features
% of Total Importance

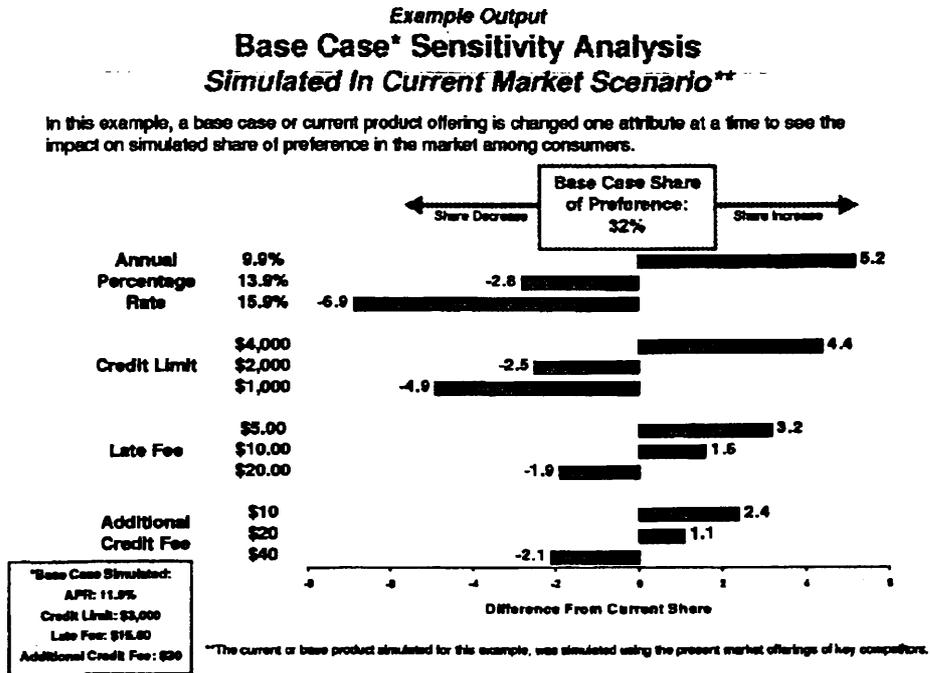
Of the four attributes exemplified below, APR is the most important to consumers. Credit Limit is also relatively important to consumers, while Late Fee and Additional Credit Fee are less important.



Example Output
Attribute-Level Utility Values
Product Attributes



In addition to reporting attribute importance and utility values, Directions will provide a sensitivity analysis that will demonstrate the impact on share of preference when attribute levels are changed. An example of the output for a sensitivity analysis is provided below:



Cost and Timing

The cost to conduct this research will be \$22,000. The timeline would be as follows:

- Questionnaire development and programming 1.5 weeks
- Field 1 week
- Topline One week after end of field
- Final Report 2 weeks after end of field

██████████, I look forward to working with you on this project. Please let me know if you have any questions.

Regards,



Senior Account Executive

To: Ernst, Mark
Subject: RE: IRA Accounts

Mark,
I here you and agree. I've been thinking deeply about this - my assumptions are not yet modeled nor are they in the project doc but soon will be. I think the visibility of the fee is a major issue. Similar to the 'best rate' the 'no fee' IRA can support the overall value message with both clients and tax pros. There are several things going on designed to give us some insight into that - both qualitative and quantitative tax pro and client research to be completed by mid June.

Either way, whatever the product design - your point is that the value prop must resonant

-----Original Message-----
From: Ernst, Mark
Sent: Wednesday, May 29, 2002 7:24 PM
To: [REDACTED]
Subject: FW: IRA Accounts

[REDACTED]

The attached note (from a DM) reflects the general sense that I think exits - that ExpressIRA is the right thing for our clients, but the product is designed to nickel and dime clients to the point where our field people don't feel as good about the product as they should. You should seriously look at whether, with a bank product design, we can eliminate the fees so that our people feel better about the offer. I saw in your documentation of the project that there are many things to be addressed, but the design of the product stuff seemed pretty light - I can't tell if the assumption is that it is ok as is and doesn't need much change. I think you should challenge that thinking.

Mark

-----Original Message-----
From: [REDACTED] [mailto:[REDACTED]@hrblock.com]
Sent: Wednesday, May 29, 2002 8:53 AM
To: Mark Ernst
Subject: IRA Accounts

Hi Mark,

Thank you for the kind words in your last response. I do appreciate them.

I've been thinking about all the clients that we signed up for IRA's this past tax season. Our mission was to help these clients begin a savings plan since many of them had none. Many used \$300 from their refunds to fund the plan. My concern is the \$10 maintenance fee that they will be assessed if they do not do the \$25 systematic investing. Many of these clients do not have savings or checking accounts. Even those clients with checking don't always want others having access to them due to problems with possible bounced checks. So they will earn about \$1.50 interest and be charged \$10 maintenance fee. This may result in a lot of clients electing to withdraw their money from the IRA. Then they will be assessed \$75 (25% of their initial investment).

Wouldn't it be in the best interest of clients not to charge the maintenance fee if they add to their IRA with either a lump sum payment or by using their 2003 refund? Isn't the purpose of the program to help our clients achieve their financial goals by getting them to start to saving so that once they reach a \$1000 or more, they can work with our

Financial Advisors for a more profitable investment?

I can just foresee next January when these maintenance fees are deducted from their IRA and the small amount of interest that they receive, the number of complaints, phone calls, and perhaps bad publicity that H & R Block could receive.

I really don't think the maintenance fees should exceed the amount of interest that we are paying on these accounts. Clients won't be happy seeing their investments decreasing and not increasing. I feel that as long as there is continued activity with investing, the maintenance fee should be waived.

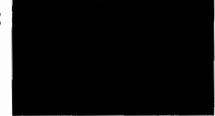
Thank for any consideration in this matter. I'm just trying to be proactive about what most likely will be the outcome in our district next tax season.

KANSAS CITY 06 MO
RAINTREE NORTH SHOPPING CENTER
LEE S SUMMIT, MO 64082

March 31, 2005

Page 1

Tax Prof. Name:
Tax Prof. No.:
Office Number:
Location Code:



COPY

BILLING CALCULATION

	Amount
1040 - Income From Salaries Only.....	56.25
W2 / W2G.....	2.50
Sch A - Itemized Deductions.....	33.25
Child Tax Credit Worksheet.....	21.50
Married Filing Joint Filing Status.....	5.75
Dependents..... (2 items)	5.50
MO 1040 Page 1 and 2 (Base Yes).....	15.00
MO Itemized Deductions.....	8.50
<hr/>	
System Calculated Total.....	148.25
Prior Client Limitation Applied.....	144.15
<hr/>	
Total.....	144.00

ONLY

CLIENT SUMMARY INFORMATION

Other Fees (Generated by System).....	15.00
Express IRA Fee.....	15.00
<hr/>	
Final Summary Total.....	159.00
Fees withheld.....	159.00
Payment From Client.....	0.00
<hr/>	
Balance Due.....	0.00

DO NOT

FILE

H&R Block

advantage



H&R BLOCK

prepared for:

date prepared:
11/01/2005

prepared by:
IMA PROFESSIONAL
H&R BLOCK
4400 MAIN STREET
KANSAS CITY, MO 64111-0000
(816)753-6900

for year-round service:

H&R BLOCK
4400 MAIN STREET
KANSAS CITY, MO 64111-0000
(816)753-6900
hrblock.com
Online PIN -

PRACTICE

Today's Savings

- Claiming the child tax credit for you this year helped you reduce your federal taxes by \$2,000.
- Claiming the dependent care credit for you this year helped you reduce your federal taxes by \$400.
- You did yourself a favor by contributing to an IRA. Your IRA investment will continue to save tax dollars each year, because the earnings inside your account aren't taxed until you withdraw the money. Even better, because we deducted your eligible IRA contributions, your 2004 tax savings is \$150.
- We itemized your home interest deduction, which reduced your taxes by \$37.
- By itemizing your cash and/or non-cash contributions to charitable organizations this year, we calculated a federal tax savings of \$37.
- In simple terms, the Marginal Tax Rate is the tax rate that you pay on your last dollar of taxable income. It is the highest federal tax bracket that affects your tax calculation. The Effective Tax Rate is the percentage of your total income that you paid in taxes. For 2004, your Marginal Tax Rate is 15% and your Effective Tax Rate is 5%.

Filing, Refund and Balance Due Information

Tax Return	efile / Mail To	Refund / (Balance Due)	Summary
Federal	Please ask your tax professional for filing information.	\$6,708.00	Refund/(Bal Due) Express IRA H&R Block Fees
			\$6,708.00 \$1,000.00 \$174.00

PRACTICE

Looking Ahead - Opportunities and Advice

- **More Dependents Mean More Tax Breaks:**

When you have a life event change, such as adding a dependent to your family, you may increase your contributions to your Dependent Care Benefit plan up to the \$5,000 maximum. If your expenses are greater than that, you may even be able to claim up to an additional \$1,000 using the child care credit. Ask your tax professional for more information.

- **You told us you will be supporting someone new in 2005:**

Claiming this additional person will reduce your 2005 taxes by about \$465. If you do nothing now, you'll see this reduction when you file your 2005 tax return. If you receive a refund, it will likely be even larger. But if you could use that \$465 during the year to help pay the costs of supporting the added person, you can change your withholding now to increase your take-home pay for the rest of the year.

- **Be sure to get a social security number for your newborn:**

That way, you'll be able to take full advantage of the many tax breaks children qualify you for - including deductions, credits and a full exemption amount for the year, even if your child is born on December 31. If you need to pay for childcare in order to work, you can reduce your taxes even more. Finally, you may want to consider starting a tax-advantaged education savings program for the new little one. Ask your tax professional which plan(s) might work best for you.

- **Turn charitable donations into tax savings:**

If you donate old clothes or other household items to a favorite charity, be sure to calculate the full value of the donation in order to maximize your tax savings. You can find the fair market value by visiting a thrift store in person or via the Internet or by using commercial valuation software such as H&R Block's DeductionPro.

- **Consider establishing a Health Savings Account (HSA):**

With an HSA, you set aside money to pay medical expenses that aren't covered by health insurance. Your contributions are tax deductible even if you don't itemize deductions, and earnings grow tax deferred. You can withdraw amounts to pay for qualified medical expenses at any time, tax free. The catch? To be eligible for the HSA, you must also have a "high-deductible" health insurance plan (HDHP) - that's a plan with a deductible between \$1,000 and \$2,650 (for individual coverage; for family coverage, the amounts are \$2,000-\$5,250), and which pays no benefits except for preventive care until the deductible is met. For more information on opening an HSA, contact your insurance agent or financial institution. For general information on HSAs, go to the U.S. Treasury Web site: <http://www.ustreas.gov/offices/public-affairs/hsa/>.

- **Convert to a Roth IRA:**

Converting your traditional IRA to a Roth IRA may create tax advantages for you. After five years, you can withdraw money tax-free from a Roth IRA if you're 59 1/2 or older, and you can withdraw your contributions and up to \$10,000 of earnings to buy a first home at any age. You'll have to pay taxes on the money you withdraw from your traditional IRA to set up the Roth IRA, but the advantages of a Roth may make that worth it. We can help you with the calculations.

- **You can move retirement funds from your employer's plan into a Roth IRA:**

If you want to transfer retirement plan proceeds from a previous employer to a Roth IRA (Individual Retirement Arrangement), you must first transfer the proceeds into a traditional IRA. You can then convert the traditional IRA to a Roth IRA. The conversion is taxable, but it's not subject to a 10% penalty. If you would like assistance in opening a traditional or Roth IRA, ask your tax professional. For more information about IRAs, visit www.hrblock.com.

An H&R Block Tax Professional is available year-round to provide you with information about these opportunities. For more information about tax, mortgage and financial services call 1-800-HRBLOCK or visit hrblock.com.

This H&R Block Advantage document provides suggestions that may help you improve your tax and financial situation. Its contents should be considered in conjunction with information you receive from other sources that are familiar with your specific circumstances. H&R Block Financial Advisors, Inc., a subsidiary of H&R Block Inc. offers investment services and securities products. H&R Block Financial Advisors, Inc. is a dually-registered investment advisor and broker-dealer and a member of NYSE/SIPC. Tax services offered through subsidiaries of H&R Block Services Inc. Mortgage services offered through H&R Block Mortgage Inc. H&R Block Inc., H&R Block Services Inc. and H&R Block Mortgage Inc. are not registered broker-dealers.

Child Care Credit or Dependent Care Benefit?

The dependent care benefit allows you to exclude up to \$5,000 of your wages from income, social security, and Medicare taxes to use for child care. Before the beginning of the year, you designate the amount of your salary you want to use for child care. The amount you designate to exclude must be used for qualified dependent care expenses; otherwise, it will be forfeited. The child care credit is a credit against your tax liability based on a percentage of the amount actually spent on work-related child care.

Factors to consider when deciding whether the child care credit or dependent care benefit is more advantageous are:

- Your income tax bracket.
- The number of children you have in day care.
- How much you will be spending on day care for the year.
- Whether your state has a refundable credit for child care.
- The amount of your income. For example, a general rule of thumb is that the dependent care benefit is better because it shields your income from social security and Medicare tax. However, depending on the amount of your income and the availability of a child care credit on your state return, it may be more advantageous to claim the child care credit than to use the dependent care benefit.

PRACTICE

PRACTICE

An H&R Block tax professional is available year-round to provide you with information about these opportunities. For more information about tax, mortgage and financial services call 1-800-HRBLOCK or visit hrblock.com.

Educate Yourself on Education Tax Benefits

Returning to school or sending the kids to college or trade school is expensive, so it pays to educate yourself on the many tax benefits available for higher education expenses. If you're paying for those expenses out-of-pocket, you may qualify for one of two credits or one or more of three deductions. And, if you're paying for multiple students, you may be able to claim multiple benefits!

The credits: To help individuals offset the cost of education, the government created the Hope Credit, which allows you a tax credit of up to \$1,500 for each qualifying student who is in his or her first two years of post-secondary education and attends school at least half time.

You can claim the Hope credit for 100% of the first \$1,000 and 50% of the next \$1,000 of qualified expenses, which include tuition, fees, and books that must be purchased from the educational institution. Because this is a per-child credit, you'll receive a tax credit of up to \$1,500 for every qualifying student dependent you claim.

If you (or your dependent) continue your education beyond your first two years of higher learning, the Lifetime Learning Credit picks up where the Hope Credit leaves off. You can receive a credit for 20% of the first \$10,000 you pay for all eligible students in your family. The credit can be claimed every year.

As with some other tax credits, your modified adjusted gross income (MAGI) affects your benefits. If you're single, the credit is phased out as your modified adjusted gross income reaches \$42,000 and completely disappears at \$52,000. If you're married and file jointly, the modified AGI phase-out range is between \$85,000 and \$105,000. Taxpayers who choose the married filing separately status cannot claim this credit.

The deductions*: If your adjusted gross income is \$65,000 or less (\$130,000 or less if married and filing a joint return), you may be eligible to deduct up to \$4,000 of tuition and fees paid to an eligible institution of higher education even if you don't itemize deductions. If your income is \$65,000-\$80,000 (\$131,000-\$160,000 if married and filing a joint return), you can deduct up to \$2,000. If your income is greater than \$80,000 (\$160,000 if married and filing a joint return), you can't claim this deduction.

If you or your spouse is headed back to the classroom to upgrade your job skills, your education expenses will probably provide you a tax break. If you're taking classes to improve your skills in your present occupation, your expenses are deductible as an itemized deduction. This deduction, however, is limited to the amount of your qualified education expenses that - when grouped with certain other expenses - exceeds 2% of your adjusted gross income.

Another deduction allows you to deduct up to \$2,500 of student loan interest, even if you don't itemize deductions. The right to this write-off disappears as modified adjusted gross income moves from \$50,000 to \$65,000 on an individual return and from \$100,000 to \$130,000 on a joint return. The deduction is for interest on any loan (not just federal student loans) used exclusively to pay qualified higher education expenses (including room and board) for yourself, your spouse, or an individual who was your dependent at the time the loan was taken out. The student must have been taking at least half the normal full-time workload for the course of study the student was pursuing.

Something to keep in mind: Your expenses may be eligible for the tuition and fees deduction, which you can claim even if you don't itemize deductions, and/or one of the education credits. You generally can't claim multiple benefits for the same student, and you definitely can't claim multiple benefits for the same expenses, so you'll want to work closely with your tax professional to ensure that you claim the best benefit for your particular situation.

* These are 2004 deduction specifications (indexed for inflation each year).

An H&R Block tax professional is available year-round to provide you with information about these opportunities.

For more information about tax, mortgage and financial services call 1-800-HRBLOCK or visit hrblock.com.

Looking Ahead - Occupation Advice

■ you've told us that your occupation is Insurance Agent. Here are some things you should consider that might help you save on your taxes and plan your finances. (If you are not self-employed, only business expenses that exceed the limits described below may be deductible.)

- To be deductible, business-related expenses must meet certain tests. They must be ineligible for reimbursement under your employer's plan, you must itemize the deductions, and the expenses must exceed 2% of your adjusted gross income (AGI). For tax year 2004, 2% of your AGI was \$1,393.
- Part of the cost of having a home office may be an eligible deduction, if:
 - Your home office exists for the convenience of your employer
 - The space is dedicated exclusively to business and is used routinely and consistently
- Whether or not your home office qualifies for deductions, you can still benefit from tracking business use of services in your home. Included in this group are:
 - Long-distance and local telephone calls and services (for example, call waiting)
 - Internet access
- You can deduct the mileage you drive between jobs and job sites, and for business-related errands. However, the mileage of your commute between home and work is not deductible.
- The expense of professional activities may also qualify as deductions, such as:
 - The cost of obtaining and maintaining professional licenses including licensure fees
 - Dues for memberships in professional organizations
 - Subscriptions to professional publications
- When you purchase supplies or equipment to use at work, you may be able to deduct the cost of such items as:
 - Small client gifts (\$25.00 and under)
 - Ergonomic office equipment (foot rest, lumbar cushion)
 - Measurement wheels
- Make sure you review your overall retirement plan regularly. You may be able to increase your deductions by contributing to an IRA (Individual Retirement Account). Also remember to review your annual Social Security statement to develop a complete retirement plan.

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2004 Tax Return Summary

Federal Year over Year Comparison

INCOME	Year 2004	Year 2003	Change(\$)
Wages, salaries, tips	\$74,512	\$0	\$74,512
Other income	\$425	\$0	\$425
Total income	\$74,937	\$70,956	\$3,981
ADJUSTMENTS			
IRA deduction	\$1,000	\$0	\$1,000
Student loan interest deduction	\$667	\$0	\$667
Alimony paid	\$3,600	\$0	\$3,600
Total adjustments	\$5,267	\$4,000	\$1,267
ADJUSTED GROSS INCOME			
Total income less total adjustments	\$69,670	\$66,956	\$2,714
TAXABLE INCOME			
Taxes	\$5,001	\$0	\$5,001
Deductible interest	\$3,197	\$0	\$3,197
Contributions	\$1,725	\$0	\$1,725
Total itemized deductions	\$9,923	\$0	\$9,923
Standard deductions	\$9,700	\$0	\$9,700
Exemptions	\$12,400	\$0	\$12,400
Taxable income	\$47,847	\$42,106	\$5,741
TAX COMPUTATION			
Income tax	\$6,384	\$0	\$6,384
Tax before credits	\$6,384	\$0	\$6,384
CREDITS			
Child care credit	\$400	\$0	\$400
Child tax credit	\$2,000	\$0	\$2,000
Total credits	\$2,400	\$800	\$1,600
Tax after credits	\$3,984	\$0	\$3,984
OTHER TAXES			
Total tax	\$3,984	\$0	\$3,984
PAYMENTS			
Federal withholding	\$10,692	\$0	\$10,692
Total payments	\$10,692	\$0	\$10,692

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2004 Tax Return Summary

Federal Year over Year Comparison

REFUND	Year 2004	Year 2003	Change(\$)
Overpayment	\$6,708	\$0	\$6,708
Refund due	\$6,708	\$2,332	\$4,376

OTHER COMPUTATIONS

Alternative minimum taxable income	\$64,748	\$0	\$64,748
Total tax preferences and adjustments	\$5,001	\$0	\$5,001
Marginal tax bracket	15%		
Effective tax bracket	5%		
Filing status	Married Filing jointly		

PRACTICE

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Client Services

Name	Date of Birth	SSN	Relationship	Number of Months Supported
[REDACTED]	[REDACTED]	[REDACTED]	SELF	N/A
			SPOUSE	N/A
			SON	12
			DAUGHTER	12

Tax Preparation Fees

Total Tax Preparation	\$127.00
E- File/SA Fee(s)	\$2.00

Additional Services

Peace of Mind (POM) (Please remember you need to contact us within 90 days should you receive a letter from the IRS.)	\$15.00
Express IRA (XIRA) fee	\$30.00

Total HRB Fees	\$174.00
Total Fees	\$174.00

Express IRA (XIRA) Contribution

[REDACTED]	\$1,247.00
Total XIRA contributions:	\$1,247.00
	\$2,494.00

PRACTICE

PRACTICE

PRACTICE

If, due to H&R Block's error, you are entitled to a larger refund (or smaller tax liability) than what we calculated, we will refund your tax preparation fee for that return. At participating locations. Refund claims must be made during calendar year 2006.

An H&R Block Tax Professional is available year-round to provide you with information about these opportunities. For more information about tax, mortgage and financial services call 1- 800- HRBLOCK or visit hrblock.com.

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H&R Block
RAINTREE NORTH SHOPPING CENTER
LEE S SUMMIT, MO
Office: 24484 (816)537-0574
Professional: [REDACTED]
Client: [REDACTED]

Tax Preparation	154.00
Peace of mind	27.00
Retirement Service Fee	15.00
Total	196.00

Fees to be Withheld	196.00
Change Due	0.00

Employee No.	387127
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Thank You for choosing H&R Block
for your tax services.
3/5/2005 5:04:47 PM 5693008

TPS04 4.05.003 - Tax Preparation System Name: SSN: [PRACTICE MODE]

2004 EXPRESS IRA CONTRIBUTIONS

XIRA Calculator - Info does not flow to the return/XIRA AppSM
 Taxpayer... Tax Spouse... Annual Contribution... 300 at 12.00%

Estimated balances for One-time Contribution

Est. balance in 1 year	306	Est. balance in 10 years	368
Total at age...65	\$ 681	After Fed Taxes (Roth)	681
		After Fed Taxes (Traditional)	300

Estimated balances for Multiple Contributions

Est. balance in 10 years	3295
Total at age...65	\$ 10783
After Fed Taxes (Roth)	10783
After Fed Taxes (Traditional)	12300

Existing Accounts

Owner	Account	Both or	Account Balance	as of	Most Recent	Existing
(T/S)	Number	Traditional	12/15/2004	Year	Year	Monthly Contrib.
No existing account information available						

Deductions 4850
 NonRefundable Cre 0
 Refundable Credits 0

Client has received the H&R Block Disclosure & Custodial Agreement? (Y/N)
 Make contribution(s) for current tax year (2004)?
 Make contribution(s) to next tax year (2005)?
 Enter IRA Account Information (Identification, Beneficiary & Bank Account Info)

12:51 AM

TPS04 4.05.003 - Tax Preparation System Name: SSN: [PRACTICE MODE]

Filing Options Screen 2 of 5 - Federal

Federal Settlement Options & Estimates (\$)

Federal Refund	640.00	Peace of Mind Fee	0.00
Exp Product(s) funded by refund	300.00	Tax Prep & Other Fees	175.00

IRS DIRECT OPTIONS

Option	1. EFile**	2. Mail-in**
Timeline Check	3 weeks	6-8 weeks
Timeline Dir Deposit	8-15 days	5-7 weeks

BANKING OPTIONS FEES WITHHELD

Option	3. RAC**	4. RAL-Loan**	5. IRAL-Loan
Timeline Check	8-15 days	1-2 days	Same Day
Timeline Dir Deposit	8-15 days	1-2 days	N/A

Bank Fees:

Fee	1. EFile**	2. Mail-in**	3. RAC**	4. RAL-Loan**	5. IRAL-Loan
Refund Account Fee	0.00	25.00	0.00	0.00	0.00
Loan Finance Charge (e)	NOT	NOT	None	5.00	NOT
Estimated APR (LOAN)			None	49.325%	
H&R Block Fees:					
System Admin Fee	AVAILABLE	AVAILABLE	0.00	0.00	AVAILABLE
Tax Prep & Other (e)			175.00	175.00	
Sales Tax (e)			0.00	0.00	
Total Fees (e)			175.00	205.00	
Amnt Due Today* (e)			0.00	0.00	
Amnt You Receive (e)			165.00	135.00	

* All tax prep and other fees must be paid at the time of filing.
 Your money may be paid in multiple installments.
 Funds availability may be delayed 1-2 days or more due to your bank.

Which option would you prefer? (1-5)

1) IRS EFile Direct, 2) IRS Mail, 3) Refund Anticipation Check, 4) Refund Anticipation Loan, 5) Instant RAL

12:49 AM

1 of 2 DOCUMENTS

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November 28, 2001 Wednesday

Transcript 112801aw.747

LENGTH: 11711 words**HEADLINE:** Q2 2002 H & R Block Earnings Conference Call - Final**BODY:****EDITOR:**

OPERATOR: Ladies and gentlemen, thank you for standing by. Welcome to the H & R BLOCK second quarters earnings release conference call. During the presentation, all participants will be in a listen-only mode. Afterwards, you'll be invited to participate in the question and answer session. At that time, if you have a question, please press the "1" followed by the "4" on your telephone. This conference is being recorded Wednesday the 28th, 2001. I would now like to turn the conference over to Mark Ernst, President and Chief Executive Officer of H & R BLOCK. Please, go ahead sir.

MARK ERNST: Thank you, good afternoon and welcome. Thank you for joining us to discuss our Fiscal 2002 second quarter results. With me is Frank Cotroneo, our Senior Vice President and Chief Financial Officer; Jeff Yabuki, Executive Vice President; David Byers, Senior Vice President and Chief Marketing Officer; Becky [Schulman], Vice President and Treasurer; and Mark Barnett, our Director of Investor Relations. Before I begin my formal remarks, I need to remind you that various comments we may make about future expectations, plans, and prospects for the company constitute forward-looking statements within the meaning of the Federal Securities Law and are based on current information and expectations. These statements speak only as of today. Actual results may differ materially from those indicated by these forward-looking statements as a result of various important factors including those discussed in the second quarter press release and in H & R BLOCK filings on Form 10K and Form 10Q, which are on file with the SEC. I'd also like to take this opportunity to invite to you our annual investor conference, which we will host on January 8th in New York. This year, we'll provide a comprehensive look at our gross strategy and how we're progressing with our plans to invigorate the H & R BLOCK brand and business. This'll include an overview of our marketing plans and outlook for the upcoming tax filing season. We're planning to conduct two optional sessions in the afternoon. First, we'll provide a detailed look at the strategies for RSM McGladrey our business services segment, and then an in-depth review of the option run mortgage business. Details concerning the conference will be posted on First Call or feel free to call Mark Barnett. We hope you'll be able to join us. I'd like to highlight some additions to our senior management team that occurred this quarter. We've been building a top-notch senior management team who is committed to our strategy and make H & R BLOCK a great investment for shareholders. Joining us recently are Jeff [Branmeyer] as Senior Vice President and Chief Information Officer and Brian Nygaard who joins us as president of our financial advisers business. Jeff comes to us from First Union, now Wacovia, where he held senior-level positions in their technologies organization and most recently as CIO of the company [INAUDIBLE] of the Money Store. Brian Nygaard joins us from ING, where he was running their North American brokerage business. That business with over 10,000 representatives prepared Brian for the significant challenge of building our distribution capabilities in a client-focused way. I'm delighted to have these two talented individuals join us. I'm also pleased to announce that Tom Decker Sipe has been named to the H & R BLOCK Board of Directors. Tom is currently President and CEO of Westaff, a temporary staffing and employment services firm, has a long and distinguished career in the Schwab organization and will bring valuable counsel to us as we build our capabilities to serve our clients' investment needs. Bob Davis has elected to retire after several years of service on the H & R BLOCK Board. I want to personally acknowledge and thank Bob for his many important contributions to the Company over those many years. Turning to the financial review, we've achieved solid results in the second quarter despite the slowing economy

Q2 2002 H & R Block Earnings Conference Call - Final FD (Fair Disclo

and the impact of the September 11th tragedies. Our consolidated quarterly net loss was \$28 million or \$.15 per share compared to \$49.7 million or \$.27 per share last year. Of the \$.12 per share improvement over last year, \$.06 is the result of improvement in operating performance; primarily driven by exceptionally strong results in our mortgage business, which more than offset expected weakness in the investment services and some earlier-than-normal expenses in U.S. tax services. The remaining \$.06 improvement is the result of the reduction in goodwill amortization. Our proven results for the quarter was somewhat restrained by our share repurchase program this quarter. The reduction in shares outstanding and loss of income from cash deployed slightly increased the loss per share. Clearly we believe that this will be good for our full-year results and is consistent with our capital allocation strategy. For those who regularly follow us, you know that our tax business, as well as business services, are seasonal and we typically report a loss in the second quarter each year. With the exception of investment services, we saw revenue growth across all of our major domestic lines of business resulting in a 12% increase in second-quarter revenues to \$378.7 million compared to \$337.5 million a year ago. Our cash flow in the second quarter also improved significantly. Our cash loss is as measured by gap net loss and adding back the remaining after-tax amortization expense of acquired intangible assets improved \$10.1 million or 35% to a loss of \$18.5 million or \$.10 per share. This compares to a loss of \$28.6 million or 16% — excuse me, \$.16 per share in last year's second quarter. Cash flow is measured by earnings before interest, taxes, depreciation, and amortization improved nearly \$20 million to \$5.9 million for the second quarter compared to a negative \$14.1 million last year. Before discussing our segment results, let me comment on some highlights from the quarter. Our initiative to sell mortgages to our tax customers again achieved very strong results in the second quarter. Demonstrating our strategy of deepening relationships with the H & R BLOCK tax client base is working and is beginning to provide a sustainable source of revenues and earnings growth. H & R BLOCK Mortgage, our retail channel, contributed 11% of the mortgage segment's \$72.8 million year-over-year improvement. Of all mortgage loans originated during the quarter, 10% of all loans and 62% of all retail loans came from the H & R BLOCK tax client base. Moreover, lower acquisition costs associated with H & R BLOCK tax clients helped to drive significantly higher margins from cross-sold loans. Our cost per loan for an H & R BLOCK tax client is running about \$830, substantially less than the cost per loan for \$1,300 for a non-H & R BLOCK client. Results from the wholesale mortgages servicing operations were outstanding this quarter as well. I'll talk more about that when I review that segment. Also in terms of creating greater depth in the relationships we have with traditional tax clients, 1/3 of all new accounts opened in our financial advisers business in this calendar year have now come from H & R BLOCK tax clients. And this does not include the approximately 25,000 IRA accounts that we opened last tax season. Before getting into segment specifics, let me have Jeff Yabuki, our Executive Vice President, comment on preparations for the upcoming tax filing season.

JEFFREY YABUKI: Thank you, Mark. In U.S. tax operations, we're understandably focused on preparation for the upcoming tax season. Supported by strong retention of our existing tax professional staff and a 15% increase in our tax school enrollment this year, we've had a solid recruiting effort for tax professionals. Our real estate commissions are in place and our marketing campaign is ready to launch in January. We'll discuss our overall pricing strategy at our investor conference. Our research isn't yet complete on what consumer impact we can expect from the tax law changes passed by Congress earlier this year. While we recognize that the changes with the most impact won't go into effect until 2003, we believe that concerns over the tax changes this season will present a strong opportunity for us. We expect to have specific insight into consumer attitudes in the next few weeks. That information will better guide us in both setting expectations for the year and in finalizing prices. This information will be shared at our investor conference in January. We've developed a revamped marketing campaign that capitalizes both on the current environment and learning the surrounding message effectiveness over the last two years. The research on the marketing campaign suggests that we have a strong consumer message for this year. This, coupled with the expansion of the successful marketing programs, position us to capture growth opportunities in the market. We're also introducing new products to bring additional value to our client base. One of our strategies is to develop a broader portfolio of settlement products in anticipation of the potential changes in traditional refund anticipation loans or route products. We continue to believe it will be three to five years before the IRS speeds up refund processing to the point that traditional refund loan products are impacted. Nevertheless, we're taking steps now to innovate and prepare ourselves for reduced demand for the traditional route products. For example, we'll offer an instant route this year that will allow clients who qualify, based credit scores, to obtain loan approval immediately and receive a check upon the completion of their tax return. Qualified clients will no longer need to return to the office a second time to pick up their check. Our research suggests that instant access to a client's refund will be attractive not only to our existing route clients but also to higher income clients who don't typically purchase bank products. We also believe that an instant route product will create sustained value even as the IRS ultimately achieves its goal of processing refunds in two to three days. This year, we're also introducing our first value add product for clients who owe taxes. Through our

relations with Household Bank, we will offer qualifying clients an instant line of credit that can be used to pay the balance due to the IRS. Along with the credit line, our clients will have same as cash terms for 90 days. We believe this product is consistent with our stated desire, strengthening our value proposition to higher income client segments. As we're in the learning stages of this new product, we've elected not to materially participate in the lending aspect of this product during the upcoming tax season. In our E-solutions business, we've made significant enhancements to our software and on-line products. In order to deliver targeted value to the digital tax marketplace, we've been focusing our efforts on two distinct market segments. Digital self-preparation and on-line professional assistance, we think software will be the likely be the dominant option in the digital self-preparation market this year, and for sometime. Our software pricing strategy for this year is designed to continue building unit share while delivering meaningful profitability. Along with continuing to make the H & R BLOCK brand, more prominent for tax software consumers, we have several new features that allow users to experience H & R BLOCK in a very personal way. For example, we're providing both software and on-line users an opportunity to have an H & R BLOCK tax professional review their return and provide the client feedback prior to filing. This is an expansion of our successful on-line review service introduced last year. We'll also provide each of our retail clients an opportunity to receive a free financial plan through our financial advisers business unit. We're continuing to differentiate on-line through the delivery of integrated advice and breadth of services. We'll again offer our professional tax service which allows people to have their taxes prepared online using existing capacity in our retail network. While this program is still in the early stages of development, the clients that we acquired last year had very attractive demographics. Helping to broaden the appeal of the H & R BLOCK brand. We're encouraged by the strong distribution potential related to both our AOL-Time Warner alliance and our continuing strong relationship with Microsoft and the MSN network. Now, let me turn the call back to Mark.

MARK ERNST: Thank you, Jeff. Now, I'll review the second quarter financial results from our different business segments. In U.S. tax operations, which includes our U.S.-based tax services, interests and refinance loans and the E-solutions business, we reported quarterly revenues of \$28 million, a \$1.6 million or 6% increase over last year's second quarter. The pretax loss in the second quarter was \$104.2 million compared to \$85.7 million last year. The increased loss was driven by a number of factors. Payroll taxes of \$7.2 million, associated with heavy seasonal associate stock option exercises, earlier technology development and marketing costs, and higher rents and field support wages resulting from increased tax school enrollment. In preparing for what we believe will be a solid tax season, our operational readiness is ahead of where we historically have been at this time this resulted in increased second quarter spending of approximately \$10 million primarily related to the implementation of technology and marketing initiatives. This early preparation should result in reduced levels of spending during the 3rd and 4th quarters. At this point, we expect that the full-year contribution margins for U.S. tax operations will be greater than what was originally planned. I'll comment on this further when we talk about guidance. With respect to cash flow, the U.S. tax operations segment declined by \$21.3 million to a negative \$92.3 million compared to last year's negative \$71 million. Our international cash operations, which include Canada, Australia, and the United Kingdom, generated revenue of \$13.7 million, a decline of \$1.2 million over last year. The decline in revenues is largely attributable to an unfavorable Australian exchange rate. Pretax losses of \$991,000 were slightly higher than last year due primarily to somewhat weaker than expected tax season results in Australia offsetting improved performance in Canada. Our mortgage operations which include Option 1 and H & R BLOCK mortgage, our retail mortgage operation, as mentioned earlier delivered exceptionally strong results this quarter. Revenues rose 114% to \$180.8 million compared to the same quarter last year and we're up 22% over the first quarter. Pretax earnings rose to \$93.2 million compared to \$20.4 million in the year-ago period. \$3.4 million dollars of the increase is a result of the elimination of goodwill amortization. On a sequential basis, pretax earnings grew at 40%. We continually [INAUDIBLE] to minimize the impact on our balance sheet. Fiscal year-to-date, 82% of our pretax earnings have been cash earnings. [INAUDIBLE] strong cash flows coming from this business. Looked at it another way, \$12 million of the second quarter's \$93 million of earnings is represented by residuals that we have added to our balance sheet. The remainder was realized in cash. EBITDA increased \$70.7 million or 207% to \$96.9 million compared to \$26.2 million last year and \$69.9 million in the first quarter. The exceptionally strong operating performance of our mortgage segment was driven by higher loan origination and service volume, increased pricing from loan sales and increased contributions from our retail mortgage business. Compared to the second quarter of last year, approximately \$17 million of the increased performance was due to increased spreads as a result of the lower interest rate environment. Loan origination volume was \$2.6 billion dollars or an increase of 76% over last year. Larger sales force, higher volume of applications, and an improved closing ratio drove this strong growth and originations during the quarter. Compared to the prior quarter, loan origination volume was essentially flat due to a temporary slowdown in originations in the weeks following September 11th. In October, applications — application rates per day returned to pre-September 11th levels. For nonprime production, the percentage

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of loan refinancings to total loan originations hasn't changed significantly as a result of the decline in the interest rates. We also achieved a 14% decline in the net cost of origination contributing to a 193 basis-point year-over-year improvement in operating profit margin. While we're clearly benefiting from the declining rate environment, the work we've done to reduce the cost of origination is allowing us to continue improving our position in the industry. The operating profit margin for the second quarter was 3.52%, 352 basis points compared to 159 basis points last year. The operating profit margin is defined as pretax earnings before goodwill amortization, provided by mortgage funding. Typical [INAUDIBLE] in the second quarter grew 26% over last year. As of October 31st, Option One's servicing portfolio totaled \$20.9 billion, an increase of \$6.1 billion over last year's second quarter. I'm also pleased to be able to say that Fitch recently affirmed its top rating for Option One's primary servicing and upgraded [INAUDIBLE] in to its top rating. In so doing, they cited the solid experience and tenure of the management team, strong internal controls and effective loan administration process, and noted Option One's early and frequent borrower contact collection strategy and experienced loss mitigation, all of which provided the company with a solid foundation for loan management and for loan performance. Related, we continue to monitor the valuation of the residuals on our balance sheet as they can be sensitive to changes and prepayments as the rates decrease. Our servicing capabilities provide us with the opportunity to maintain a detailed view into the performance of the underlying loans. I can tell you that based on loan performance relative to the valuation assumptions, our residuals are fairly valued. Both current prepayments and defaults are well below our modeled levels. We monitor those values very carefully, and based upon their current strong cash flow characteristics, future writeups are possible. Frank Cotroneo will provide you with more details concerning these valuations in his balance sheet discussion. H & R BLOCK financial advisers, our investment services operations, continues to be adversely impacted by weak market conditions which were exacerbated this quarter by the tragic events of September 11th. Revenues of \$64.8 million declined 61% from the year-ago quarter and 6% from the first quarter. The subsequent revenues resulted in a pretax loss of \$9.1 million compared to pretax earnings of \$11.8 million in the second quarter of last year. or pretax loss of \$6.1 million in the first quarter of this year. The elimination of goodwill amortization positively impacted this segment's year-over-year comparison by \$4.1 million. In line with the rest of the industry, we continue to see weakness in the two main drivers of revenues, trading volumes and margin lending. Second quarter trading volume declined 40% compared to last year. Commission and fee income declined \$24 million or 37%. Although we've increased our commission rates over the last year, the average commission per trade declined to \$63.17 compared to \$70.52 last year as a result of smaller trade sizes due to lower market levels. Interest income on margin accounts decreased \$42.3 million or 71% from last year due to a 67% decline in consumer margin balances and a 225 basis point decline in margin interest rates over the quarter. Prior to September 11th, indications were that margin balances had stabilized. However, in the weeks following, margin balances dropped significantly as have those have throughout the industry. At the end of October, margin balances totaled \$888 million compared with \$1.2 billion at the end of the first quarter and \$2.6 billion a year ago. Over the past month, however, we're again seeing indications that margin balances have stabilized. Even though the segment decreased \$24.9 million to \$3.6 million compared to \$28.4 million last year. This quarter included a one-time pretax charge of \$1.7 million associated with further staff reductions that has were made after September 11th. We continue to focus on controlling expenses and rationalizing resources to match revenues balanced against our strategic investments into this business. As bad as the market environment is, I nevertheless feel very good about the progress we've made since we've acquired this business. We've taken significant steps to reposition H & R BLOCK financial advisers for growth. These include developing capabilities to serve our clients in the manner they want to be served such as introducing on-line services, right-sizing the business with an appropriate cost structure and effective expense controls, bringing our product line to competitive parity through the introduction of c-based products such as cash management accounts and expanding mutual fund products that will decrease our dependence on transactions fees. And these collectively — we will be able to recruit and retain financial advisers. Where we're now beginning to focus. [INAUDIBLE] services. Revenues rose 17% to \$91.8 million compared to \$78.3 million dollars last year. Approximately, \$7 million of this increase resulted from acquisitions, netted the loss of revenue to the sale of KSM Business Services last January, with the remainder attributable to growth in tax consulting and wealth management services. In mid-September, we saw a slowdown in consulting revenues. This has been followed by a very strong rebound in October. For the segment, pretax earnings of \$2.6 million compared with the pretax loss of \$1 million last year. Increased revenues were offset by off-season losses from newly-acquired firms as well as normal operating cost increases. The elimination of goodwill amortization positively impacted the year-over-year comparison by \$4.6 million. [INAUDIBLE] in this segment decreased \$1.4 million to \$7.3 million compared to \$8.7 million last year. A recent announcement of an agreement to acquire Equikor Resources, a business valuation and investment banking firm that specializes in corporate finance services for middle-market companies, represents an expansion of our service capabilities within the RSM McGladrey channel. A core strategy for our business services channel is to extend complementary nontraditional services to the RSM McGladrey client base. The Equikor acquisition

is a prime example of this. With the combination of RSM and Equikor Services operate as the client base creates what we believe to be significant opportunities. These are the first of what we expect to be several acquisitions of this nature. Although we do not anticipate any large acquisitions, each will be a step assisting our goal to present RSM as the leading [INAUDIBLE] business consulting firm serving small to midsized companies by reallocating our capital to strategic high return business opportunities. Now, let me turn the call over to Frank Cotroneo, who will review the balance sheet and other corporate items.

FRANK COTRONEO: Thank you, Mark. Good afternoon. In connection with our earlier adoption of the new goodwill standards, SFAS 141 and 142, we're required to complete step one of the Goodwill impairment test base reporting [INAUDIBLE] by October 31st. This task is an indicator of potential impairment under the new standards. We have completed a test in accordance with the standards and found no indications of impairment in goodwill. At this time, based on current information, we don't foresee business or economic conditions to result in a goodwill impairment charge this fiscal year. During the quarter, we've experienced heavy seasonal compulsive stock option exercises. With the large portion occurring in the first few days in September. Through October 31st, seasonal tax professionals exercised options for 5.1 million shares of common stock compared to virtually none last year Which resulted in stock option proceeds of \$104 million. These unplanned proceeds were allocated to the share repurchase program. The option exercises also resulted in additional payroll tax expense of \$7.2 million in our U.S. tax operations. As seasonal tax professional stock options are only exercisable from September through November of each year, we expect there'll be some, but not significant, stock option exercises in the third quarter. The tax shield benefit of these option exercises contributed \$29.9 million in additional equity this quarter and expected to contribute \$41 million in the full year. During the second quarter, the company repurchased approximately 7.6 million shares as a cost of \$284 million. Year-to-date, we've repurchased 9.7 million shares as a cost of \$352 million, or an average price of \$36.32 per share. The adjusted weighted average shares outstanding for the quarter fell only slightly as compared with the prior year as the bulk of the repurchases occurred in the second half of the quarter. We continue to be on track to achieve our targeted capital structure of 35% debt to total capitalization by fiscal year end 2003. Turning now to the balance sheet, there are several notable balance sheet changes. The value and retained interest and [securitizations] at the end of the second quarter was \$285 million down from \$368 million at July 31st. The decline was primarily attributable to the sale of \$134 million of residual interests in the second quarter [INAUDIBLE] security. For balance sheet purposes, this was partially offset by a market to market increase for residual interests were loans are cash flowing stronger than are originally modeled. This market to market adjustment of \$34 million went to equity and wasn't part of the current quarters earnings. Cash flows from the residual interests continued to be higher than expected due three factors. First, excess retained interest spread has significantly increased due reduced funding costs which is typically tied to one month [INAUDIBLE]. Secondly, loan losses to date are less than projected when these interests were initially valued. And third, loan prepayments to date are less than those originally projected as well. This higher than expected cash flow from residuals is causing net interest margins [securitizations] or "NIMS" to — [INAUDIBLE] to retire 12 to 15 months early, compared to the originally estimated maturity of 24 to 30 months. Our expectation is to monetize this increased valuation through cash collections and a new "NIMS" offering sometime in calendar 2002 as we continue to implementing our policy of minimizing the amount of residual interest we hold. We also down carefully monitor the valuation of nonprime mortgage service rights or MSRs on our balance sheet. Compared to the first quarter, MSR assets increased \$8.9 million to \$77.8 million. Out of a total servicing portfolio of \$24.9 billion, MSRs are only booked against our own services portfolio of approximately \$16 billion. The remaining \$6 billion of services portfolio is subservice loans for which we receive a fee. As you know, MSR valuations are most sensitive to prepayment speeds. Our nonprime MSR assets tend to be more stable than comparable prime MSR assets as prepayment penalties cause prepayment speeds to be more stable and predictable. As of October 31st, 74% of our own servicing portfolio contained prepayment penalties with an average remaining duration of 20 months. Through the period of January through October of this year, monthly prepayment rates averaged 2.2% compared to 1.7% for the calender year 2000. This increase in prepayment rate is within our valuation assumptions and is dramatically less than the increase in the prepayment fees experienced in the prime market. For specific data regarding loss performance, including losses and prepayment rates, I would refer out to investor relations page of Option One's web site at WWW.OONC.COM. Use the name "investor" and password: option#1 will provide you immediate access. The cost of common stock and treasury increased from \$674.7 to \$858.5 million compared to the second last year. The increase is attributable to share repurchases, less shares [INAUDIBLE] from option exercises. since October, 2000. Finally, notes payable increase from \$372 million at the beginning of the quarter to \$882 million at the end of the quarter. The increase in balance is related margin to \$260 million increase in cash balances to increase on hand liquidity in the wake of September 11th. Now, I'll turn the call back to Mark Ernst who will discuss our earnings outlook.

MARK ERNST: It has been our practice. We try to update the outlook for full-year performance as new information becomes available to us each quarter. We can now see that our revenue and earnings for the current fiscal year will likely exceed what we've previously expected. Though many of the factors benefiting our mortgage business performance are expected to continue through the balance of the fiscal year, we don't expect the declining rate environment to benefit us going forward. While there are other environmental factors hindering our investment services business, we're encouraged by what we've begun to see in this business recently. Also, as Jeff described, the tax season is shaping up well. We said in June that for fiscal 2002, planning purposes within our U.S. tax operations, we were using a 10% revenue growth assumption in setting our spending levels and targeting at 50 basis point margin improvement. While I'm optimistic that it is shaping up to be a good tax season, it is a bit too early to provide fully updated revenue guidance for this segment when we finalize our pricing, we'll have a complete view. It is our intention to provide with you a more detailed outlook and guidance for the tax season at our January conference. We do know that spending has been well controlled and that revenue growth will likely exceed 10% through a combination of marketing programs that will drive unit growth and revenues from nontax preparation sources. Along with those slightly higher revenue expectations, we anticipate the margin in the tax business will actually increase by 100 basis points at our currently forecasted revenue growth rate. The combination of these various factors means we now expect revenue growth will be well within our long-term guidance range and earnings per share for the full fiscal year will be between \$2.15 and \$2.25 per share. For the third quarter, we're comfortable with the current street estimates, however as we experienced last year, material shifts in the filing patterns of consumers can have a pretty significant impact in the results for the third quarter. In conclusion, we're obviously pleased with the strong results we're reporting today through the hard work of our associates. We continue to deliver outstanding and solid financial results and our preparations for the upcoming tax season are well ahead of where we've historically been at this time. During the next several weeks, we'll make the financial decisions with respect to pricing as well as other strategic initiatives for the upcoming tax season. I look forward to updating you with our outlook for the tax season at our investor conference in January. With that, operator, we'd be happy to open the line for questions.

OPERATOR: Thank you, ladies and gentlemen. If you have a question for this question and answer session, press the "1" followed by the "4" on your telephone. You'll hear a three-tone prompt to acknowledge your request. If your question was answered and you wish to withdrawal your poll request, press the "1" followed by the "3." If you are on a speaker-phone, please pick up the handset before entering your request. One moment please for the first question. Michael Hodes of Goldman Sachs, please, go ahead with your question.

MICHAEL HODES: Hi, good afternoon, guys. A couple questions. First disregarding the guidance, is the upward move in guidance mostly a reflection of more conviction on the tax business given your comments on perhaps the somewhat better margin? Or is it more just capturing just stronger mortgage trends? Secondly, in the mortgage business, maybe you can talk more philosophically about how large are you willing to let that get? In my calculations, it's approaching the third of the earning stream if you'll look to cap it. Then just a point of clarification in investment services, could you just give me the average commission portrayed. I know what it is in the press release. I wasn't sure if you said \$53 per trade or \$63 per trade.

MARK ERNST: It was \$63.

MICHAEL HODES: Okay.

MARK ERNST: On the guidance. I'll tell you, most of the increase, although there's a slight amount of the increase in guidance is driven by tax, most of the increase is from an expectation both currently as well as perspective for the mortgage business. That range does not include — it includes a little bit, a couple cents of additional upside that we see, we can clearly see now in the tax business, but most of the guidance increase is coming out of mortgage. In terms of mortgage, you know, philosophically, couple things about that business, one is we have been focused on ensuring that as we — as the results come out of that business, that we're doing two things. One, that the bulk of the earnings that we're reporting are coming in the form of cash and with that continuing to be our policy, as Frank talked about, we've been doing a number of things that minimize the balance sheet impact and minimize the amount that we put or we maintain on the balance sheet and any risk we maintain. That'll continue to be our policy. In terms of a cap on how large we would let the business get, I suppose the real answer to that is, if at some point in the future we could not maintain the level of cash earnings that come out of that business, we would take a hard look at what size we want it to be. In the current environment, we're able to have much of the earnings, the vast bulk of the earnings, in fact, be in the form of cash. And so, from our perspective, there's no philosophic reason to limit that. That may at some point hurt our year-over-year comparisons, obviously from this line of business if at some point in the future we don't have the kind of cash earnings

environment you get out of the mortgage business today. But as long as this type of environment is out there, we see this as a great source of additional cash earnings.

MICHAEL HODES: Got you. Following up on the mortgage, it seems like you're trying to give us more disclosure here. I take it that there's going to be, you know, a full array of analytics in the queue that we could track some of the assumptions and the balance sheet items? There's a lot of what Frank talked about, you know, doesn't really jump out of the balance sheet as stated.

MARK ERNST: Michael, there already is sensitivity analysis in the queue. But, again most of the information that I think you'd want to see will be on the web site at Option One talking about prepayment speeds, delinquencies, residual valuations, et cetera —

MICHAEL HODES: I've looked at it. But you're saying there'll be a way we can cross check it against the assumptions on the securitizations

MARK ERNST: Yes.

MICHAEL HODES: Okay.

MARK ERNST: The other thing I was telling you Michael, and I mentioned at the outset. In the January conference, we'll announce split and have an optional afternoon, if you will, where we'll going to go in-depth on McGladrey, the business service business, for those of you who don't have a deep understanding of what our strategy is there and what kind of dynamics we expect there. We're also going to do a deep dive on Option One in the mortgage business. So there we'll give you a lot more this kind of — of analytics on how the business performs and what the balance sheet implications are.

MICHAEL HODES: Thank you, guys.

MARK ERNST: Thank you.

OPERATOR: Our next question comes from Chris Gutek of Morgan Stanley. Please proceed with your question.

CHRIS GUTEK: Thank you, good afternoon, everybody. Mark and Frank, I don't want to beat a dead horse here but certainly the mortgage residuals is a hot topic. A timely topic as well. I recognize the data is available at the web site. For some of us who aren't mortgage experts, can you walk through in a little bit more detail what resource you're using for prepayment rates, seeing currently, what you're the assumptions are that are embedded in the valuations and do the same for the default rates as well. Having done that, Mark, can you follow up on the comment you may have to write up the value of the residuals. By how much would that likely be? When will that likely happen if at all?

MARK ERNST: Sure, you know, it's a little bit difficult to give you, you know, a quick thumb nail on the key drivers. The two key drivers obviously are prepays and default rate assumptions. I can tell you our typical default rate assumptions are between 4 1/2% and 5 1/2%. If when we put a valuation around these things, those are the typical rates. It depends on the vintage and the types of loans and a number of different things like that. What we know is that that's the cumulative default rate we expect over the life of a pool of loans. Our oldest and worst-performance vintage is a 1995 vintage that is currently running at about 375, 375 basis points of default. That's a very mature rate level. And that's our oldest and worst performing pool. We're well underneath the typical assumptions that we'd make on those. On prepays, Frank mentioned this, on a nonprime mortgage loan portfolio, typically you get prepayment penalties attached to the loan. While they're somewhat controversial, that's part of what creates the stability and the valuation. I think the number was 74% of our current loan servicing portfolio has prepayment penalties attached to it. That has the impact of making the prepayments very, very predictable, because there's an expected and, you know, really happens spike that occurs once prepayment penalties run off, but that's something we're able to plan for. So far, again, against the pools we have, we monitor this very carefully, I don't think that I can recall a single pool that's running above its prepayment expectations. They're all typically at or below the cumulative prepayment assumption that we use in the making these — putting these things on the books. That's what led to the writeup comment. At some point as these loans pay down, we as the residual NIM holder have the rights to the remaining cash flows. And we've been fairly conservative, we think, prudently conservative in the our assumptions with these items put on the balance sheet. And they're stemming the cash flow. There's cash flowing earlier and in bigger amounts than what we had originally modeled and our policy and our practice is to, as we can take these things off the balance sheet, and find a buyer for them, we'll take them off the balance sheet. We think that we have a number of them that are approaching a point where the cash flows will allow us to resell them and we would intend do

that. We expect that could happen in — some time in calendar 2002. We really haven't determined when that would occur. But in all likelihood that would entail a writeup at the time of a sale.

MICHAEL HODES: Okay. And maybe one follow up on that point if I could on the default rates, the starting comment was looking the different pools since 1995, the default rates have been below what you've assumed, but the economy isn't doing well recently, why should the historical default rates being below the estimates give us confidence that the default rates won't rise in the next 12 months in the context of a weak economy?

MARK ERNST: Well, certainly that's an outstanding risk. And that's part of what we look at that on a regular basis. I can tell you the 375 is the worst we've seen in terms of performance. It's far from the best. What we've seen over the course of the weakening, I think, over the last six months or so is that the apparent run rate is up 50 basis points in terms of expected defaults. That's our current estimate with the weakness we've seen in the economy most recently. But again, we believe this gives us a lot of cushion to the level of expectation and also, you know, part of the benefit of this is our servicing platform that we commented on the Fitch ratings that's been attached to our servicing business, but our ability to see into these loans and these loan pools to intervene early when we think there's a risk of a borrower getting behind and to take action on that, has proven historically to bring us in at lower loss rates than the industry. And I think this is a kind of environment, a kind of economy where an outstanding service portfolio like ours or service operation like ours is all the more important.

MICHAEL HODES: Okay. Makes sense. And if I could, one quick question about the tax business. I understand you don't want to get into the detailed policy until early January. But the marketing strategy last year was clearly designed to appeal towards the middle income customer and not as much to the low-income customer. My understanding of the marketing strategy for the upcoming season is not to go with that message necessarily, but instead to focus on the tax law changes which are likely to leave people pretty confused and try to take advantage of that confusion. If that that is, in fact, the correct marketing strategy your company will be using, could that not potentially imply a negative mix shift in the customer base back towards lower-income people and therefore lower growth in revenue for return and how do you plan to prevent that from happening?

MARK ERNST: First, I would tell you, I don't think our marketing strategy is designed to move away from our past strategy of moving more upscale. You know, how we'll craft a tax law change message and how the supporting things that go with that are all being designed to continue our push to bring in a more — a higher income demographic. There's nothing about this year's campaign that I would say is designed to shift that acquisition focus. The one thing that's different this year that Jeff commented on was some new products we have in the settlement product portfolio. For example the instant RAL and the balance due product will target slightly higher income demographics. The instant RAL, basically, the way that works is — You come in and we'll, while you're in the office, we'll credit score you. And, if you qualify, you'll be able to walk out with a check and never have to come back as well as the balance due where you'll get 90 days after April 15th with no interest charge and we'll front the amount of money for the balance due to the IRS, are both products that we think will have more appeal to a higher income group and that continues to be our strategy. We also know that the tax law changes themselves have a direct correlation between, you know, those changes and their impact on higher income consumers. So just to focus on tax complexity and tax law change is likely to help us more strongly with higher income consumers.

MICHAEL HODES: That's great, thank you, Mark.

MARK ERNST: What I would tell you also is we'll try to give visibility to that entire mix issue at the January conference. 'Cause we're looking at it in very great depth.

MICHAEL HODES: Thank you, Mark.

OPERATOR: Our next question comes from Michael Millman of Salomon Smith Barney. Please proceed with your question.

MICHAEL MILLMAN: Thank you, I guess a few questions and starting with the latest. There wasn't sheer market. If you said on the balance due that you were going to front the interest or the balance through April 30th? And if so, are you looking for the tax returns or will household be giving you some fee to get the loan? In addition on the tax, could you give us some idea of on an atlas to average pro forma basis excluding, or adjusting for, the 142, what you're looking for for an increase in costs this year? And also on the tax, you indicated you expect more like 100 basis points increase rather than 50 is that on an adjusted basis as well? If so, adjusted what would have last year's have been? And then on the mortgage, I

was a little surprised. I'd thought that prepayment was running about 83% of the portfolio, at least of the recent portfolio. So I'm not sure if the 74 takes into account historic numbers and in the same vein, the penalty duration, I thought, was running over the last several years closer to 30 months rather than 20 months and then, again, if the 20 months, really reflects historic numbers which are probably less important today than they had been. And then, maybe you could talk a little bit about whether on the balance sheet if you've repaid some of those extra borrowings?

FRANK COTRONEO: Sure. I think I've got all of those. Let me — I'll take them in order. On the balance due product, let me describe how that will work. Um, basically for a client who comes to H & R BLOCK and has a balance due and it doesn't matter when they come to us, if they come to us in January, February, March or up through April 15th, if they have a balance due to the IRS, will pay the IRS on April 15th. We — not we, Household will through a loan that has no interest and no payments for 90 days. And then at the end of 90 days, so by July 15th, if people repay the loan in totality, there'll be no interest charged at all to the consumer. Basically, they get to — somebody who comes to H & R BLOCK, has until July 15th to effectively pay their tax bill. This'll cost you nothing because Household is —

FRANK COTRONEO: That's right. This'll cost us nothing.

MICHAEL MILLMAN: Will Household pay you a fee for this business?

FRANK COTRONEO: No, what we've agreed to for the first year is that we'll provide the product and that they will — we'll provide the product to our clients and the economics of the underlying loan product will stay with them. It's a traditional 90 days same as cash where there's breakage on the 90 days. That's how the economics work for them. Ultimately, what the pricing will be for this, if there'll be a charge, processing fee, or something like that remains to be seen. And the balance will only be available up to \$5,000. There's a few tweaks that are still in development. But we think that this thing has some appeal or will have some appeal to, you know, to a higher income demographic. In terms of the percentage of growth in expenses, I don't quite have the number the way you're asking the question. What I can tell you is that the 100 basis point margin improvement is on an apples-to-apples basis. So after we adjust for the way in which we're now allocating costs, it's still a 100 basis point increase in the margin year-over-year. That's at our current estimate run rate for revenues which is slightly above 10%. So net/net, there's a bit of an increase that we can clearly see. That's primarily being driven by less spending than we've had to make this year than what we've had anticipated we might have to do get ready for tax season. On the mortgage business, the issue about the 30 month versus 20 months and the 83% prepayment versus 74. The 74% of the current loan portfolio has prepayment penalties is a — is an aggregate number. The 83% is in our more recent loans that are being put on the books. 83% of those have prepayment penalties attached. We've made a concentrated effort to make this a part of the product design we have. And increasingly, we're seeing those products that are being sold include the prepayment penalties. So if anything, the risk of prepayments is only getting better, if you will, because more and more the loans we're now putting on the books have that kind of provision. The same is true of the 30 month versus the 20 month. The 20 month is the remaining amount or the remaining average months for prepayment penalties. The 30 months is a typical amount that we include in the up front when we put a loan on the books.

MICHAEL MILLMAN: So the bottom line is that your mortgages have gotten much more conservative more recently than historically.

FRANK COTRONEO: All of that is mixed even with the pricing, but I'd say we've looked to take less risk in these loans. They are less risky. Finally on the balance sheet and whether we've prepaid — essentially what you'll see on the balance sheet this quarter, we've increased the amount of CP we have that is on a committed basis. We've extended that out. We've extended that out the week following September 11th and basically locked in higher levels of CP and therefore are carrying higher levels of cash in the event that, you know, we weren't sure what was going to happen. We weren't sure about the liquidity in the markets out there and we didn't want to take any chances. So we locked in more liquidity than we maybe ultimately would have had to.

MICHAEL MILLMAN: And that remains on the books? Also, you've said that you expect the mortgage strength to continue, although not at the necessarily second quarter level, it was up 100 — the spread was up or the margin was up about 100 basis points — For purposes of forecasting, would you suggest we use the lesser amount going forward or do you think it gets even below that?

FRANK COTRONEO: Well, you know, that is sort of the — you know — What we know are a couple of things. We estimate that during this quarter, the decline in interest rates that occurred during the quarter gave us \$17 million of additional income because of holding loans that ultimately came more valuable when rates declined. We don't think that will occur again this quarter. Now, you know, Alan Greenspan could delight us all again with a drop in interest rates, but

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for planning purposes in our forecast, we're not using further declines in rates in setting our own internal expectations of what pricing will be. Aside from that \$17 million, I'd say, you know, our originations are running pretty consistent so far this quarter with where they've been in the last two quarters, so I don't know we would expect a change there. And the backend market appears to be as strong as it's ever been. Aside from the value gained from declining rates, you know, we're look at the third quarter being much like the second quarters and first quarters.

MICHAEL MILLMAN: So somewhere in between the two, then?

MARK ERNST: I think that's probably right.

MICHAEL MILLMAN: Okay, thank you, mark.

MARK ERNST: Thank you.

OPERATOR: Our next question comes from Chris Gutek of Morgan Stanley. Please proceed with your follow-up question.

CHRIS GUTEK: Yes, couple questions if I could. If we could switch to the financial advisory business for a minute. I want to double check. I think in the last call you guys talked about tripling the number of tax preparation financial advisers to 400 last season to 1200 in the current season. Are you on schedule to hit that target?

MARK ERNST: I think the answer to that is, "Yes." The latest round was we had a number of people in training. We'd been shifting between different training classes in different parts of the country. The key is whether or not we have them trained before we go into tax season or whether we are still training into the tax season. Our target was to get to that many before tax season. You know, currently, I'd say we're probably, you know, from what I know, I think the training classes have been a bit slower and delayed from what we'd expected. And as a result, we may be closer to 900 to 1,000 when we go into the tax season. Another thing we've been doing is we've been offering some of our tax professionals an alternative track to the financial advisers track, which is to be a loan finder, if you will, for our mortgage business. We've been training a number of people who have switched to that career path or that training path where we're training them on how to source mortgage loans into a central processing center. There, we're actually expecting to have somewhere in the order of 2000 to 2,500 people trained for that kind of a service or that kind of a role going into the tax season.

CHRIS GUTEK: Interesting. I think in the last season, you had quite a few express IRAs set up, my impression those were essentially loss-leaders where you weren't making money because the account sizes were pretty small and the product certainly wasn't very profitable to begin with. Is the thinking with the express IRA in the upcoming season to try to leverage that loss-leading product into additional sales in the current tax season? Does that make any sense or?

MARK ERNST: I can tell you precisely what our strategy and our thinking is around the express ira. Last year, we did about 24,000 or 25,000 of those accounts, on a pilot basis in certain regions of the country. We're rolling that product out nationally, including to a number of our franchise offices, although not all of them will take the product this year. A couple things, A, we think that the way we've structured it that the first-year economics are about to break even. And we think that as the account sizes build over a number of years, it'll be a nice — it'll never be dramatically large — but a nice, little profit center. The more important attribute of the express IRA that we think we can leverage overtime is the retention impact it has on tax clients. We believe to be the case and we'll get our first indication of that in real life with clients this year from the 25,000 who took that product last year on a pilot basis. What we believe to be the case is that clients who leave some of their money behind with us at H & R BLOCK, are far more likely to come back to H & R BLOCK year after year and therefore we could overtime improve the retention rate we have on the core client base. If we can do that without losing money on the account in year one, we think that's a big win for the organization over time.

CHRIS GUTEK: Makes sense. Okay. One more follow-up on the tax business if I could, Mark. You mentioned the shifting of technology costs and marketing costs into the fiscal second quarter. Could you elaborate on exactly what technology and what you're doing from the marketing perspective in the second quarter?

MARK ERNST: Sure, as Jeff Yabuki talked about some of those, you know, the technology most notably is the big driver of this. And in there, what we've been doing is implementing a field communications system and a new payroll system that is designed to capture savings in a number of the — in our payroll costs that occur during tax season. Jeff can give you a lot more detail.

CHRIS GUTEK: Okay.

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JEFFREY YABUKI: Chris, what we've done is we've got, as Mark indicated, we've got a system for a new system for our payroll. We've got several additional systems we're rolling out this year to help monitor tax season as we've started to talk about last year that will — that have gotten out a bit earlier than we had expected. From a marketing perspective, we had some expenses that we had moved forward. Most notably, some TTS advertising we planned for in a later quarter and we extended in the second quarter and some more limited marketing program expenses that we've brought forward. Because we had a very good TTS year, as I mentioned, we also have field-based labor costs that were — we end up paying now that will end up converting basically to reduce our overall costs. It's a draw, an advance draw against future salaries. So those will come back as well.

CHRIS GUTEK: Okay. Great, thanks.

OPERATOR: Our next question comes from Michael Millman of Salomon Smith Barney. Please proceed with your follow-up question.

MICHAEL MILLMAN: Thank you, I guess a few clarifications. One, let's start with what TTS is. But also, maybe, could you just go back over the retail mortgage business. I at least kind of missed some of those numbers. And then maybe you could give us an idea in the second quarter what the gain of securitization mortgage was. And finally, maybe talk a little bit — or you did touch upon it, I think — some of the strategy behind raising the TaxCut prices.

MARK ERNST: Sure. TTS stands for varyingly, depending on who you talk to and how long they've been with the company, is tuition tax schools, or tax training schools, or tax training service, or a number of different things. But it's known very affectionately around here as TTS. The retail mortgage business is obviously doing very well for us. We've had good performance. I mentioned 60 some odd percent of our mortgage loans originated this quarter came from H & R BLOCK clients. That's purely consistent with our strategy of using our H & R BLOCK client base as a pool of prospects to offer this service into. Within that business, we are offering a full range of products. We're a little bit unique in the industry in that we're not a specialist in conforming we're not a specialist in subprime. We're not a specialist in government. We offer a full range of products. As a result, we're able to position ourselves both with BLOCK clients as well as nonclients so if you're in the market for a mortgage, we have a product for you and we'll find you the best product that's available. We think that's a very defensible position in the market and it plays very well with H & R BLOCK clients where we don't have to turn somebody down for lack of a product that fits their needs. This business has — is up pretty substantially from where we were a year ago in terms of originations. The pipeline continues to grow. And we are rolling out the number of co-located retail offices where we have H & R BLOCK mortgage retail professionals in our offices that share space with our advisers and with our tax professionals. So, all in all, we think the business goes along well and we think it is a nice sustained growth for our business. I think if any place in our mortgage business that we're benefiting from the refinance boom that's going on, it is probably in that line of business right now. We don't see as much refinance activity going on inside of our Option One business. The proportion is about the same there. But, all in all, that business is moving along well it continues to be an area focus for us. In terms of the margins that we've seen overall — This quarter, we saw an overall net 328 basis point margin in the overall mortgage business. That's up from, I guess, last year for the full fiscal year of '01, we had a 226 basis point overall margin. That was made up of a gain on sale of 471 basis points. We earned warehouse interest. That was last year, full year, 57 basis points. Then we had an all-end cost of origination last year of 303 basis points. This quarter, by comparison, our gain on sale was 511 basis points. So we're up 40 basis points over last year. Our warehouse interest was up somewhat. It was at 90 basis points versus 57 last year. Our overall cost of origination was down. It was down to 272 basis points. That's how we get to the net margin of 328 basis points. You know, what that reflects are a number of things: The warehouse interest income is a reflection of financing costs being dramatically lower as interest rates have dropped. The gain on sale is benefiting a bit from that. Although the quality of the product we originate is really very much determined — causes us to get a very solid gain on sales. We've been focused all year on how do you make sure that our cost of origination is an industry leading level, so that — industry-leading level so we have the opportunity either to price aggressively when we need to or in appropriate times like this price to yield us a good return. So overall, you know, again, our business there is performing, you know, very, very well.

MICHAEL MILLMAN: Mark, were those numbers you just cited second quarter or first half?

MARK ERNST: Those are second quarter. We can give you first half if you'd like. The first quarter was very much like the second quarter.

MICHAEL MILLMAN: I guess the question was, I thought that the margin was 352 basis points. I'm not sure why that differs from the 328.

MARK ERNST: This is the operating profit margin. It doesn't include some of the other things like service income that goes through the overall margin for the business.

MICHAEL MILLMAN: I see, so this is the production side?

MARK ERNST: This is the production side only. Yes.

MICHAEL MILLMAN: Okay.

MARK ERNST: In terms of our strategy related to our pricing for TaxCut this year, again, I think I'll let Jeff talk a bit of what we're thinking there and & what we're looking for.

JEFFREY YABUKI: Michael, did you have a specific question about the pricing?

MICHAEL MILLMAN: It seems like the pricing is up about \$5 across the board on the TaxCut?

JEFFREY YABUKI: Correct. We — as you may recall from last year, in that business, we took our prices materially down in the prior year and shifted our model from a basically a full front-end model to a model that more closely mirrored the market. And that is, some of the revenues coming in at retail are at point of sale. A fair amount of revenues coming in on the back end. We started charging for states for the first time, and we were very pleased with the unit share that we picked up. We do know maintaining a delta is important for us. And we believe with the software pricing that had occurred in the prior year that we had the ability to raise prices at the \$5 level and not impact our share and continue to build profitability in that business line.

MARK ERNST: I think it's worth pointing out is that there's clearly a demarcation of this occurring in the market. You know, if you look at Intuit's pricing for their basic product, they're moving their basic product up dramatically in substantial ways, I think they're trying to push their brand to be the premium brand, which has been for some time in that market, and to take it to positions less for the low end of the customer at the basic level.

MICHAEL MILLMAN: Right.

MARK ERNST: And while we'll maintain a pretty aggressive price at the basic level, that's given us the opportunity to take a little bit more pricing latitude with that segment. Where we've historically gained much of our share is with the new entrance in the markets. Those new entrants are typically buying the basis products. It's all tactical as this whole industry kind of settled down now. We're all looking to make some good money in it.

MICHAEL MILLMAN: Thank you.

OPERATOR: Thank you. Steve Farley with [INAUDIBLE] Capital, please go ahead with your question.

STEVE FARLEY: Frank, can we please go back to, I believe I heard you say that something having to do with the sale of new bonds led to you receiving an extra \$44 million more than you thought from residuals and that it went straight to equity and not to the income statement? Did I understand that right? Could you explain that to us? Maybe we should all get our taxes done by you, guys because you can hide \$44 million in income? [General laughter]

FRANK COTRONEO: That's not the purpose and it wasn't only cash. If you go to the balance sheet as of July 31st, residuals were \$368 million. At the end of this quarter, they were \$285 million. The reason for the big shift downward were two activities taking place. One was we didn't complete the NIM, the net interest margin transactions on the first quarter transactions in the first quarter. That got completed about three weeks after the first quarter, shortly in the middle of August. Because — and that's the reason why the residuals were so large at the end of the first quarter. When the NIM got placed, the residuals went down by the value of that transaction of \$134 million. What we then did because the cash flows on our residuals are coming in stronger than we'd anticipated, we did take a small mark to market of \$44 million, which is in line with gap.

MARK ERNST: But basically, Steve, the gap rules on this is we have to fairly value those residuals. When we do that, we take a mark to market adjustments that runs through other comprehensive income, doesn't go through our earnings, and we can only take that back into the gap earnings when we sell — when we receive cash. Um, we think that will happen. But it hasn't happened yet. And that's why we tend to take the mark to market adjustment, and we took that into equity, but we won't take it through gap until we realize cash. We think that's the transaction that could occur sometime in 2002 based on the current pattern of cash flows coming out of those NIMs.

STEVE FARLEY: Okay, thank you.

MARK ERNST: Thanks. We'll be happy to do your taxes also.

STEVE FARLEY: Thank you.

OPERATOR: Our next question is from Bruce Babcock of [Saber] Capital. Please proceed with your question?

BRUCE BABCOCK: Thank you. I was a little confused on your shares outstanding. If I understand correctly, you issued about 5 million shares or options or something to employees but you bought back 7 million, and yet the shares you show on the balance sheet look like they didn't change at all. Can you give me an estimate by maybe by the end of the year what your shares outstanding will be?

MARK ERNST: Sure, year-to-date we've purchased approximately 9.7 million shares. Options exercised are 7.2. Expected shares, fully diluted shares by the end of the year are expected to be an approximate 183 million range.

FRANK COTRONEO: 183, 184. Right now, I think this quarter end was 183-something. That's basic. That's not fully diluted. Fully diluted, add 2 million to that number.

MARK ERNST: Potentially.

FRANK COTRONEO: So it'll probably be on a full-year basis, you know, in the 184-185 million range.

BRUCE BABCOCK: And what was it last year? Do you have that?

MARK ERNST: Yeah, I do. That was 94. 188.

BRUCE BABCOCK: 188, something like that.

FRANK COTRONEO: Not big of an influence.

BRUCE BABCOCK: Thank you very much.

FRANK COTRONEO: It'll be down but it won't be down — you know, it'll be down 3 or 4 million shares.

BRUCE BABCOCK: Okay. Thank you.

OPERATOR: Our next question comes from John Neff of William Blair. Please proceed with your question.

JOHN ROMANO: Yeah, this is [John Romano] from William Blair. Could you provide some additional color on your comments on your — the basis for your comment that the expectation for the tax season is shaping up well. Is that simply from the changes in tax law or is that from the experiences you're seeing in your offices to date?

MARK ERNST: It's from a couple things. Part of it is how well prepared are we as an organization? And that is — the key determiner to that is how well have we done in recruiting tax professionals. We have had an outstanding year plus getting very high quality people. Plus retaining many of our people that we've had in the organization before. And seeing very, very quality people in our [Crash] Tax Training program. So that's part of it. Part of it is encouragement that we've seen in the way our marketing programs are coming together. We're fairly encouraged by both how we're — I'm encouraged by how we've been able to capitalize on the learning that we've gained over the last couple of years and convert that into a very quality campaign that we think will have a lot of consumer appeal. Certainly, my opinion doesn't count. What counts is what consumers do with it. But our research on this campaign is very, very good. Um, so we look forward to be able to share that campaign with you. You know, and clearly the historic view we have of tax law changes and how that ultimately plays out in consumer demand for professional tax services, we think it is going our way. Now, we know we know that and so we're doing some research to get at what consumer attitudes are about tax law changes this year. Because this quirky situation is where there's a lot of talk about tax law changes but the fact of the matter is much of the change starts kicking in next year, not this year. We think we'll benefit from consumer belief that there's been a lot of change, but we want to validate that before we get ahead of ourselves with too great of expectations. I hope that wasn't, you know, didn't leave you stunned.

JOHN ROMANO: No. Thank you.

OPERATOR: Ladies and gentlemen, as a reminder to register for a question, please press the "1" followed by the "4" on your telephone. We have no further questions at this time, please proceed with your presentation or any closing remarks.

MARK ERNST: I appreciate everybody joining us today. Let me, again, remind you, we'll hold our annual investor

Q2 2002 H & R Block Earnings Conference Call - Final FD (Fair Disclo

conference in New York on January 8th. Let me just point out that we'll hold our traditional tax season preview in the morning and then conduct two focus sessions in the afternoon, one focused on business services strategy and then another following that focused on the business of Option One. We hope you'll join us for all or part of that day. Thanks again for joining us today.

LOAD-DATE: July 20, 2002

35 Nature's Drive
Tillson, NY 12486

1 August 2002

Mark Ernst
President and Chief Executive Officer
H&R Block
4400 Main Street
Kansas City, MO 64111-1812

Dear Mr. Ernst:

I am writing to you for guidance on how I **should** interpret the words *financial partner* in our Company's mission statement (*To help our clients achieve their financial objectives by serving as their tax and financial partner*). Specifically, I **need your leadership help** to resolve whether in presenting the Express Individual Retirement Arrangement (XIRA) for sale, certain information about this product should be given to or withheld from clients. In other words, how should I conform my presentation to our mission statement?

I am aware, as **no doubt you** are, that the **overwhelming** majority of our tax **preparation** clients are low income working poor who complete the 1040A or 1040EZ tax return, rather than the 1040. Many are single parents who are entitled to- several **thousand dollars** of **Earned** Income Credit. Few have bank accounts, or any savings. Supervisors have stressed that the sales presentation of the XIRA must be limited to the "positive": the XIRA is **an** opportunity for clients to begin saving for their children's education and/or their own retirement with an initial investment as small as **\$300, less than many banks require for opening an IRA. Their account is fully guaranteed and** will be earning additional income. Moreover, there is no out of pocket expense to them as the **account can** be set up, **and contributed to-annually**, from their anticipated tax **refund**, money which they have not yet received and therefore would not miss. This would be a beneficial and painless way of doing the right thing. The charge for setting up- the XIRA account is only \$15, with a fee of only \$10 each subsequent year to maintain the account.

In order to accomplish the goal of **encouraging** clients to start saving, "negative" information is to be withheld from the presentation. This includes the facts that a savings account can be established in a **bank** with no set up- fee, nor maintenance fees, **and** closed with no termination fee (unlike the XIRA with its \$75 termination fee). A withdrawal can be made from a bank savings account for **any** reason with **no** tax **penalty, unlike-early** withdrawals from IRAs where a tax penalty applies unless withdrawals are made for a few purposes, like college education expenses. Also to be withheld from the client is the -fact that a **bank** savings account would, in 2002, earn the owner between double to quadruple the XIRA's yield which was then fluctuating around one half of one percent. The client who started an- XIRA with \$300 would have come out at the end of the year with about \$301.50 in their account, whereas they would have put up, including the set up fee, \$315; in effect they would **have** lost \$13.50. Tith the XIRA's yield neither fell nor rose, and \$300 continued to be contributed annually, *by including the annual maintenance fee*, overall

loss would persist until the thirteenth year when a net aggregate gain of \$1.50 would first show up on an account balance by then of \$3,900, exclusive of this gain.

H&R Block is not in the business of creating business for savings **banks**. At the same time our mission is to serve as our clients' financial partner. I would expect a financial partner of mine not to **withhold information** from me that might effect a decision affecting *my* welfare. Especially because so many of our working poor clients are less educated and less sophisticated in financial matters than we are, *are we not mission bound* to- lay out the cons as well as the pros? My District Manager categorically told me not to, and to limit myself to a "positive" sales presentation of the XERA. Otherwise, he said, **probably** correctly, clients would lose interest in the product and walk out, wondering why I had been wasting their time. Similarly, my concern that a client might need to terminate-his or her account because of unanticipated expenses, only then to encounter the \$75 termination fee, was met by the rejoinder that it is not my role to think for clients. A point well **taken**. But to skew a sales **presentation by withholding** relevant information in order to shape a client's action in a direction which I decide is in the client's interest, is this not performing the role- of **thinking** for the client?

I have been enjoined to make a "positive presentation" of the XIRA to our customers and to avoid **mention** of "negatives". I **have** been **warned** that failure to **do** this- and failure **to-makc** sales would "become an issue" with my supervisor, resulting presumably in curtailment or cessation of **earning opportunity** from tax preparation-. **Indeed- a policy of penalizing tax professionals-and** the method to be used for this is reflected in an exchange between the Company's Executive Vice President **and** the-Director of Operations for **the-North-East** that was **handed** to-me during the 2002 tax season. I quote:

From: Yabukp, Jeff

I am hearing stories that in some places we are taking out "veterans' (i.e., people-whp have relationships with clients) off the schedules in place of people who are willing to sell z-ira's. Without knowing the facts or commenting on this practice, wee need to be sure we are-not doing things that are contrary to preserving client relationships and this is especially important as we look at the retention numbers: Please keep this in mind.

From: Koontz, Bill

The plan regarding this as-discussed in our February meeting is that people who-fit the mentioned profile are to be scheduled only enough to prepare returns for clients who request them for an appointment. This may mean limiting them to certain days These mentioned associates-were not to be fixed or de-scheduled. It was to be explained to them that since they were not having the desired success they would not he given unlimited access-to clients other than those requesting them.

If this is not a sum^m ariz^{ea}tion of what you understand please let me know so we can all be on the same page.

It is also a **good idea** to review **once-againwith-your** mapagers.

Bill

My questions are:

With respect to sales presentation of the IRA,, are tax professionals bound to disclose the current and not only the historic yield, and all fees; and else-projeet the resulting impact of the current yield, together with fees, on the client's account balance over time?

If such disclosure-results in reduction or loss-of sales; are tax professionals to-be-penalized by curtailing or denying them oppourtunities to prepare clients' tax returns?

I thank you for considering my questions and look forward to your reply.

Respectfully,

Laurence Salomon-

ab HRB Management Ino., 2002

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BlockCentral

The Bottoms We with Chairman and CEO, Mark Ernst



Question Of the Week

"How should I inteipret the words *financial partner in* our mission statement? \$peclf t^{auy}, when I look at the ~xpressiRA, there are alternatives In the market offered by other financial services companies that don't have the deficiencies (such as setup and termination fees) that our product has. If I'm to be a financial partner with my clients, shouldn't I encourage clients to gd elsewhere if our products aren't the best? "

Mark's answer

Sep. 20, 2002 — Our mission is to help our clients achieve their financial objectives by serving as their tax and financial partner. Our first step toward helping clients achieve their financial objectives is to help them understand the things they can (and need) to do in order to achieve their goals.

We offer financial advice (through Jot for You) that is tailored to each of our individual clients. Explaining this information is perhaps the moat sj⁹nlfcan t thing that Tax Professionals can do to consistently help clients achieve their financial goals. If we do nothing more than discuss this financial advice with every dent, we will have significantly increased the value we add to Our client relationships and made significant progress against bur missidn.

Many clients know what to do, but for various reasons don't take action. We've all seen clients who come In year after year without Improving their financial situation. They haven't begun to alive for their future, to begin saving to buy a home, educate their children or to have a secure retirement

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Press

The Express IRA that was available last year met many of the goals we have: it's a simple way to save, with security of principal. But we know that it can be improved and we're wodd g tp make changes to the fee structure and the yield to the client. The Express IRA was specifically designed to address the single real estate need that many financial planners have ~ saving for retirement. Tax deferral may be the best time of the year when many people have funds that they could use — and we want to offer a ***pie Way** for them to set aside part of their tax refund for their future.

We always split to have competitive products, but sometimes products offered by other companies will have more attractive features or returns. Quite often these products are better because they come without any advice, requiring clients to select the most appropriate product on their own. If you have a client who is prepared to take this initiative, that's great.

We want to encourage clients to take action to achieve their financial goals. If they do, and can do it better than the services available of H&R Block, that's just fine.

It would be a great success for us to get to the point where our clients understand what they should do and are committed to take action. Too often, they don't take action. That's why we offer products and services: to encourage our clients to begin down the path toward achieving their financial goals. For our part, we need to continually improve those products and services to ensure that they're competitive.

I encourage our tax professionals to help their clients to work toward achieving their financial goals! The competitive nature of our product offerings shouldn't be an obstacle to helping a client get started — which is often the true test of being a tax and financial partner.

Do you have a Block Central story, comment, idea or suggestion? Send them to blockcentral@hrblockcorh.com.
ID 2001. HRB Management, Inc.

35 Nature's Drive
Tillson, NY 12486

4 October 2002

Mark Ernst
President and Chief Executive Officer
H&R Block
4400 Main Street.
Kansas City, MO 64111-1812

Dear Mr. Ernst:

I wrote a letter to you on August (copy enclosed)-including two direct questions concerning the Company's policies towards clients and towards staff. I have received no reply. These questions can be answered with a simple yes or no. Instead-I have received communications from two of your assistants (copies enclosed), to whom my letter was not addressed..

My letter indicates, the policies I am-questioning **appear-to be-the Company's** as articulated at management levels up to the level immediately below yours. This is why I wrote to you **personally**. Are these policies which affect the financial welfare of clients and associates unauthorized improvisations from lower level officials or do they emanate from the top?

I am interested in your direct answers- related-reasons: As an associate I do not plan to withhold disclosure of important financial details from clients, in contradiction to my District Manager's advice. Accordingly; I expect-not to be able to sell W's and therefore would be penalized financially by implementation of the policy currently communicated from District Manager through Executive Vice President-levels: Secondly; and this is why I cannot follow my District Manager's advice, I hope that you will agree with me that *full* financial disclosure of the XIRA's yield and terms is **particularly important to the working** poor who comprise most of our tax clients. It would not be difficult to take advantage of their relative lack of education and financial- **sophistication-by** accentuating **only the positives** **But they are** contributing members of our own communities and of our own society. And our society has entered into a fateful conflict with members of other societies I hope that you will agree that now is the time- especially for strengthening our solidarity. I hope that you will countermand the policies currently being pursued **throughout** the Company.

Respectfully,

Laurence Salomon

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BlockCentral

the Bottom Line with Chairman and CEO, Mark Ernst



Question of the Week

"Our Express IRA product has both advantages and disadvantages and I believe I should tell clients about both. I know I won't sell as many Express IRAs if I tell clients about some of the disadvantages, However, how can we become our clients' tax and financial partner if we give them incomplete information that could be misleading? Will I be Penalized if telling clients the full story results in lower Express IRA sales?"

Mark's answer

Nov. 1, 2002 —You're right to give interested clients a complete discussion of our Express IRA product. We have to give clients the full story in order to give them advice that they can trust. We recognize that, not every client will want an Express IRA. Nevertheless, we want every client to value &R Block as a tax and financial planner who will give them reliable advice. To give good advice about Express IRAs, we must fully understand the product and its advantages and disadvantages. If you have concerns about the Express IRA, please discuss them with your district manager. The company's strategy is based on a commitment to building long-term relationships with clients, based upon financial advice that clients trust. Client loyalty begins with our loyalty to the client. Clients will come to rely on our advice when they understand that our first commitment is to help them achieve their financial objectives.

I believe that long-term client loyalty is ultimately a more profitable strategy than a short-term sales push. In the long-run, giving clients good advice is more important to our strategy than selling them a product that may not be right for them.

Tax professionals should have goals, not Quotas. You should not be penalized for failing to achieve a quota of Express IRA sales. Neither

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should you be pressured to give advice that you believe is wrong for the client or to sell a product that doesn't serve the client's interest. If that should happen, I'd like to know about it. Client satisfaction is our top priority. If *your* clients are satisfied, you and your supervisors will be satisfied as well.

That having been said, We are Moving ahead with plans to make our products more competitive this year. With higher rates of return and a more favorable fee structure. We still have a long way to go to achieve the Company's mission but we're making steady progress on all fronts and I'm looking forward to a great tax season this year.

Many of our clients don't save for retirement— And we're giving them good advice wherever we encourage them to do so. That advice alone would increase but only to clients as their tax and financial partner, but it's only a start. We need to help but clients actually take action on that advice. The fix is less IRA and a great way to help clients begin the journey toward achieving their financial objectives. Simply providing the advice without mentioning the advisors that follow from that is like it only half of our job of serving as our clients' tax and financial partner.

Do you have a Block Central topic, comment, idea or suggestion? Send them to Wockoentrat9hrbl@2001.HRB.Managerrrll.Inc

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January 12, 2005 Wednesday

TRANSCRIPT: 01 1205 ah.713

LENGTH: 61873 words

HEADLINE: H&R Block, Inc. Investment Community Conference - F

BODY:

UNIDENTIFIED SPEAKER: (Advertisement) In 2003 Ray Wiskowski (ph) of Holland, Ohio visited H&R Block to have his taxes prepared. There he met tax professional, John Irwin who helped Ray receive a substantial tax refund. Through the H&R Block double check challenge Ray also received an additional refund due to him from a previous year. John then introduced Ray to other H&R Block financial and mortgage services professionals who helped him develop a retirement plan, open an IRA and obtain a pre-approved mortgage for Ray to buy his childhood home.

UNIDENTIFIED SPEAKER: My name's Ray Wiskowski, I'm 39 years old. I'm a dad and a husband. I have two children Zachary, 15, Tabita 7. H&R Block has actually given me a future. I have a retirement that I can look forward to. I have recommended H&R Block to all of my family and friends. It is one of the only endorsements I've ever made. I know that my sister now uses H&R Block. My mother's used them for years. I should always listen to my mother I guess. The experience has been wonderful. The personal interest is fantastic. I'm not just a numbers shoved in and out the door.

One word to describe my life now that H&R Block's in it, I would have to say peaceful. I'm not worrying anymore about what tomorrow's going to bring. If I had to describe the people at H&R Block, I would have to say it would be integrity.

UNIDENTIFIED SPEAKER: We're so happy to have you here and help you with your taxes.

UNIDENTIFIED SPEAKER: I was not just shuffled through and said this is how much money you're getting back. See you next year. I felt like I was important and it was nice. H&R Block enjoying value, enjoying relationships.

(End of advertisement)

OPERATOR: Ladies and gentlemen, please welcome H&R Block Chairman, President and Chief Executive Officer, Mark Ernst.

MARK ERNST, CHAIRMAN, PRESIDENT AND CEO, H&R BLOCK: That's the management team applauding.
I appreciate that. Good morning. I'm Mark Ernst, I'm the Chairman and CEO at H&R Block for those of you who do not already know.

I want to start by thanking you for giving us some of your time today. We realize that there is always plenty of things to do in terms of looking at different investment opportunities so we appreciate that you're willing to give us as much time as you are today.

One thing I will tell you, we will try to do our best to respect that time and to give significant amount of information about our business and give you enough insight to make the use of the time worthwhile.

I'd also like to welcome those people who are joining us by webcast today. We will be webcasting so that as we go through the course of the day, and to the extent that we get into the Q&A I will remind you now and will remind you also later that we'll have to use the microphone so that those people on the webcast can hear the questions.

The other thing I would say logistically very quickly is that we've put on all of your places a set of all the slides that we're going to be using today so that as you go through the course of the day you can see what we're doing and you can see kind of where the discussion is headed. Part of the reason for saying that is my intent is that both the morning as well as the afternoon we will not stop and take formal breaks. We're going to just keep going through, so to the extent that people would like to or need to take a break you should do that on your own and you can see sort of looking ahead into the book kind of where the discussion is headed as we go through. So that is logistics.

Let me before we begin just remind you that we will be - as part of this presentation making various comments that will constitute "forward-looking statements." I hope you will read and absorb what's on the screen so that you'll understand that. Thank you.

Let me just talk briefly about the people who will be joining me today to do presentations. In addition to myself, Bill Trubeck will be joining me this morning in the early session. Bill as many of you I think know, maybe you got a chance to meet Bill either this morning or last night is our new EVP and Chief Financial Officer. I'll say more about Bill later, but it's been a delight to have Bill join our management team He brings great experience. He is a really strong cultural fit for our organization in terms of the way he thinks about business and the way he thinks about our opportunities and he brings a real impatience for action which is something that I really appreciate and see the impact of already. So you'll be hearing from Bill.

Jeff Yabuki is going to be talking about much of our branded strategy. Jeff as many of you know is our Executive Vice President and Chief Operating Officer. He'll be joined during that section by Tim Gokey. Many of you have not had the opportunity to meet Tim and I think I'm looking forward to having you get a sense of Tim this morning. Tim has joined us as President of our Tax Business. Tim brings a real depth of insight into not just our business but the businesses that we compete with around the country and the kind of opportunities that we believe we have inherent in the Block brand in the Block business mix and I think you're going to get a sense of that although I suspect it'll be a limited sense of the strength that Tim brings, but that insight and that competence that he brings is really great.

The other thing that you will maybe glean a little bit is that Tim has an incredibly straight personal leadership style. One that fits very nicely with the scale and the type of organization and the culture that our organization has. So I look forward to having you meet Tim

Then many of you know Steve Tait. Steve runs our RSM McGladrey business. He's going to join me this afternoon in discussing that business and then Bob Dubrish will be joining us along with Bill O'Neill this afternoon as we talk about the Option One Mortgage business. Two executives that I think you may already know.

Also, here today are a number of members of management. I'm not going to go through the whole list, but I would like to just highlight two other executives that we've added to our Executive Management Team over the course of the last year.

First of all is Nick Spaeth. Nick joined us as Senior Vice President and Chief Legal Counsel, Chief Legal Officer for the company. He has been very active over the course of his career in managing regulatory and litigation matters and brings a very, very strong set of both connections as well as insights into that activity for us. So we're delighted to have Nick on board and finally Marc West has joined us as Senior Vice President and Chief Information Officer. Marc also brings a wealth of background and experience and while you're going to hear some of the outcomes of things that we are doing with technology across our various lines of business, I think as we look into the future we know that's only going to be a more significant aspect of everybody's business and the competence that Marc brings to our organization sets us up I think very nicely to continue to push forward in these various areas that we see coming.

Collectively, I would tell you, I believe we have one of the strongest management teams that I can quite imagine being able to assemble for this type or this size of an organization. We are at a point where I'm just delighted with the competency, the quality of people not just in terms of their technical competence in running the businesses and doing the things that they do, but also the personal qualities, the leadership qualities they bring to H&R Block.

We have the beginnings of a very cohesive management team, executive team and I think that in many ways has increased real long-term value for shareholders if we manage the dynamics right. A number of these people you'll have the opportunity to meet today as part of our traditional format we will have various numbers of management available at the lunch for all of you to meet. So I think I look forward to that.

From the agenda perspective let me sort of give you a sense of what we expect to do during the course of the day. Bill and I are going to do an overview and talk about broad corporate issues as well as how we think about managing things like capital allocation and managing our balance sheet. This morning we'll do that first then we're going to go into

several hours of discussion about the H&R Block branded business, the tax businesses, but also those other businesses that are designed to attract our Block clients to a retail consumer business including our financial services business targeted at consumers.

We will go straight through during those two sessions and then we will finish with a Q&A that we think is going to run maybe as much as an hour after we've gone through those two morning sessions. That will take us to about 1:00. We expect to break about 1:00 and we will be back here at 2:00 and we'll start at 2:00 with business services. Steve Tait and I will talk about the RSM McGladrey business.

We will do a short Q&A on that business only after we finish that session and then we'll go directly into a discussion about the mortgage businesses and then we'll do a Q&A for the mortgage business afterwards. So all tolled by estimate is that we're going to be finishing up this afternoon about 4.30 to 5.00 with all these sessions. So logistically plan your day and with that let me jump into the discussion that we have around the broader corporate topics that we have.

I'm not going to spend time today talking about governance practices. As I look back on the type of topics that would traditionally be covered in a session like this, I think it's been almost a requirement that you talk about your governance practices and my sense is that many of you know this, you know we have done all the things that we weren't doing previously. We've always had a very, very strong approach to governance. We've adopted stock option expensing sometime ago. We've always had an independent Board. We've always had independent committees of the Board and we have been working very diligently over the course of the last five years in fact to continually be improving our disclosure practices. So I hope that at least with the information that many of you have about our business, we don't need to spend a lot of time talking about those practices, but clearly if there's either questions or concerns, I invite you to raise those when we get to the Q&A.

I do think it's important and this is not new, but we have - I want again articulate sort of the culture and the investing culture the way we think about creating value for shareholders and it's important to I guess discuss this because this truly does have a big impact on the way we think about our businesses. How we manage our businesses. The type of businesses that we participate in and when we are in businesses how are we thinking about managing those businesses within the overall mix of the company and that gets to this discussion about consistency. Looking for a set of businesses where we can deliver consistent results within the context of the industry that we maybe participating in where we are I guess focused on two specific things in my mind.

One is investing and building businesses for the long-term You'll hear that theme I think throughout the day that across all of our different businesses we are looking at how do you build a business that has sustainable long-term competitive advantage in markets where we can carve out a unique place for our business.

At the same time we recognize that the best way to demonstrate that you're truly creating value is by having that value delivered to us in cash and so we pay very close attention to the generation of free cash flow in this company and within that then what are we doing with that free cash flow and what's our capital allocations, practices and policies? And again we're going to talk about that this morning, but that consistency we think is critical and that is a view that we take to virtually everything that we do.

We're also very focused within our businesses at being in businesses where we can have a unique position in the market and again you're going to hear that today with some exception frankly but with - and we'll talk about those exceptions, but for the most part we have businesses and we are molding our businesses to have their unique positions in their particular markets. So while we will talk about the tax business and there's plenty of competitors in the tax bus,,ess;-we-recogni-ze-Thai-far-us-ta-be-eenfinuaflysueessful we ha ye to-differentiate ourbusin ~~ways~~ ways that position us as a unique player in our market.

The same thing is true in the mortgage business as much as you may think of that as a commoditizing business the reality is we think that there are unique positions that we are creating and sustaining those businesses that we're in and the same is true of all the businesses with maybe the exception of our financial advisors business today which we're going to have some discussion about.

So we believe that for the longer term, the ability to continually be growing these businesses requires us to be more than a commodity business inside of the industries that we're participating in and where we cannot do that we tend to choose not to participate in those industries and finally the whole notion of leadership and the strength that shareholders see in the leadership both in the business and from the company overall.

We believe that you need to be able to ask investors how what you can expect from us and that we have to deliver against that and we take that responsibility very seriously. One thing that I think happens on a pretty regular basis, too regular for me, but I think is a constant. There seems like there's always some degree of noise around something happening inside of our business whether that's tax litigation, whether that's regulatory challenges that we've had in our financial advisors business. I think the simple reality is that in today's environment when you are in a mass consumer business which virtually all of our businesses are, we're serving a large number of consumers on either a direct or nearly direct basis, you cannot tolerate mistakes. You cannot make very many mistakes, because people are looking for those mistakes on a pretty regular basis.

We take that responsibility very seriously. We recognize that we have to have an organizational culture that does not accept us doing business in ways other than what are absolutely in the client's best interests. That is something that we work very hard toward, but I think the reality is that when you're in a mass consumer business like we are - mass consumer businesses there will be noise around that - those practices and again, one of the things that I believe philosophically is that if we make mistakes somewhere in the organization we will take responsibility for it and we will correct it and we will ensure that the organization knows what we expect of it.

Where we don't think we've made a mistake, but we have dumbest regulators or others who are pursuing us in one way or another, we will defend ourselves and we will defend our practices, but we take our role with our various businesses and serving clients very seriously across our businesses.

I think it's important also for people to understand how at least I think about our business and our businesses and I think we started to talk about our businesses kind of in this context a year ago and I want to reiterate it again this year and that is that I think of us as having in effect three lines of business and pursuing three types of businesses.

The first of those are a set of consumer tax and financial services businesses that we operate under the H&R Block brand in various different forms. The H&R Block brand brings real strength from a branding perspective. We think we have and can sustain a very unique positions in a variety of markets that we can tap into because of our ubiquity in the tax business. So as we think about our businesses, we really see first of all a set of consumer businesses carried under the H&R Block brand and we're going to talk about those this morning as a group.

We also have a series of business tax and accounting and financial services businesses that are being developed and are created under the RSM McGladrey brand here and I think you're going to hear this afternoon, we see ourselves creating very unique value in a very valuable market position that does not exist competitively anywhere else in the United States at least that we're aware of and we think we have taken meaningful steps to carve out a unique position in the business to business space that is unlike anything that's out there and we see great opportunities in this business. Steve's going to talk more about that this afternoon. So we carry a whole series of different businesses that we see working together to carve out a unique place in the market now serving businesses all carried under the RSM McGladrey brand.

And finally we do our wholesale and national accounts mortgage business under the Option One brand. I think in all three of these cases Option One is included in this. There's real value being created in these brands in terms of the unique aspects of the business and the way we are doing business within our various industries and Option One is no exception to that. It has a unique spot in the wholesale and the national account mortgage business - the non-prime mortgage business that we're going to discuss much more during the course of this day.

The other thing that I would just highlight as we get into the question of the day is that within each one of these brands we have a number of sort of unique businesses inside of each one of the brands. You're going to get more of a flavor for that, but strategically we are looking to create leverage within each one of these brands and the businesses that are carried inside of them.

So the leverage that we're looking to create is not across all three businesses as a corporate entity, but rather within each one of the brands. So the businesses that we are participating in inside these businesses are really designed to fit into the brand strategy and I think its for that reason let me just comment on the brand strategies themselves just real briefly.

Under the H&R Block brand we have a brand strategy that talks about serving our clients as a tax and a financial partner. The form that that takes is to go from delivery of a demand based service which is tax to delivering financial advice as a component or an adjunct to that business and then going from that advice to action in various different forms that are correct for consumers that we do business with.

We are also building differentiation within that brand around channel access and the notion of advocacy for our clients. So in general, I think the businesses and the activities that we have going on inside the Block brand all fits that general notion of a strategic intent. For our quarterly challenges that we face in all of our businesses and I think the Block brand is part of the businesses is no exception to that where the traditional tax only competitive environment and in particular I suppose a portion of the market that focuses on speed of refund as the primary consumer benefit or a primary consumer benefit is a different competitive landscape today than what it was certainly five years ago.

So in that sense were going to spend a lot of time today talking about what we see as one thing or addressing that competitive challenge. But the simple reality is that if we did nothing but focus on how do you blunt sort of the speed of refund competition that's out there which is growing in a variety of different forms, we would not get on with the more important work of extending the brand and extending our differentiation.

I would tell you that the things that we are doing to try to drive differentiation in the Block brand and the Block strategy, some are working and some are not working as well as they should. Multi-channel access. The ability to offer consumers a variety of different channels for accessing our services is clearly working. We believe that we are perhaps the leader in this whole space if not the emerging leader for multi-channel. We're offering consumers a variety of different channels from which they can access our services.

The notion of delivering not just tax, but also financial advice as an adjunct to and giving us a platform from which to serve clients in broader ways, I would tell you is also working and we believe that there is emerging clear evidence that consumers are seeing greater benefit from what we are doing and we're going to share with you some of that data today so that consumers are seeing more value from us pursuing that form of value enhancement that comes along with their interaction with us.

The place that we are clearly not making the kind of progress that we expect that we should and we continue to believe we could is on helping clients go from that advice to taking action in ways - in financial ways with us that enhance not just the client's experience with us, but also enhances the economic relationship that we have with those clients. We've made some progress and we've learned a lot but our progress has been far more modest than I think any of us in the management team are satisfied with.

The RSM brand and the RSM business. We are very clearly focused on middle market business and we're going to talk about what those middle market businesses are, but this is a part of the market that has sort of a wide open competitive landscape that we think that we can uniquely fit into.

The competitive environment. There are *many* competitors. I mean its not that consumers - middle market companies are not getting the services they need so we don't think they are getting the services in a form and an efficiency that they would like from a single provider and we think we can be that provider. There is nobody nationally who does this and there's nobody certainly with scale even on a regional basis that does this that brings the kind of depth of capabilities that we have available to our clients and it is increasingly clear to us and I think increasingly clear to many of our clients that there is a unique business model developing here that those clients really appreciate that carves out a very specific and unique place for us. So we feel pretty good about this. But clearly again, I think would tell you face challenges - a year ago I told you that a key challenge was internal execution. How do you grow and how do you deliver profitability while you grow these businesses?

Steve and I are going to talk much more about that today, but I think we have - we've seen us turn the corner on that and I'm very optimistic that we're on the cusp of being able to deliver to shareholders a bottom line that demonstrates the real upside that we think has existed in this business for sometime.

Beyond that in the short term there is a unique market moment that's occurring as we speak in this market and we are working very aggressively to capitalize on what's going on in the market so the turmoil that exists in some of the industry elements that we participate in and we want to ensure that this moment will pass and we won't have this opportunity again so we need to take advantage of it while it's here.

And finally this business - this is the biggest business you've never head of and we recognize that there is a brand awareness challenge for the RSM McGladrey brand. You're going to see data later that shows that we were actually after the big four CPA firms we're the next largest accounting organization in America, but you'd never guess it based on brand awareness. So we know that we are not well known.

One thing I want to mention upfront as sort of a setup to this afternoon. We typically don't do this, but we are going to share with you our internal estimate of where this business will be at three years from now, because I would tell I think this is perhaps within our portfolio business is one of the most significantly under appreciated businesses that we

have and I've tried to make that point and I finally realized the only way to make that point is if we share financial outcomes that we think we can achieve.

So we're going to share with you three year financial targets that we believe are achievable for this business to demonstrate sort of the progress that we have and what we see is the opportunity in.

The Option One business. We again will have much more discussion about this, but strategically we have targeted this business to have a series of and to give it multiple different origination channel alternative, but within virtually all of those we are trying our best to carve out a unique position in the market. That unique position in the market around the highest quality of service delivery to our channel partners whether that be a national account relationship or whether those are the wholesale broker relationships that we have across the country and one of the challenges that I personally have had you know was sort of hearing us describe our strategy and describing this unique position that we had in the market and all the benefits that came from it was -- is this real or is this us kind of convincing ourselves that we've got a really unique place in the market and so we have been pressing really hard on validating that - if that's true, is it true and what aspects of our business model make that the case and how durable are those differences in terms of how we do business versus our competitors and how can we extend that advantage if it's truly there and we're going to share with you some of the information that we've been able to glean from that and I think it is informing us about where we have to continually make progress to extend the service advantage that we know we do have with the broker community - the mortgage brokerage community so that we don't get in a position where we have to compete on the basis of price only.

That is a difficult spot to be in. A particularly difficult spot to be in, in the market environment like the one that we are going through right now and we think that one of things that will allow us to succeed through the changing market environment that we're in is the fact that we do not compete directly on price. We compete through delivery of high quality service and that does not force us to win on price or else lose our relationships.

There're clearly challenges in this business I think that you've heard us talk about over the course of the last six to nine months. The rate environment change creates a lot of interesting dynamics not just in the industry but also internally how you sort of stay current with your pricing. We're going to talk about that this afternoon.

We would expect that you're going to see slower market growth in the overall non-prime market and in fact we will share with you our own internal projections, but we believe that you're going to see a decline in the scale of this business - or the scale of this industry next year and then it will start to rebound after this year, after '05 and that creates some critical choices that you must make about how you're going to compete and how you're going to win share in that kind of a slower growth environment.

And finally the service advantage. I think that from our perspective while we believe and we have data that would suggest that we do in fact have a service advantage in this industry. That definition is continually changing as people determine new ways to do business or better ways to serve clients, we have to stay at least a step if not two steps or three steps ahead of the way other people are approaching delivering service to the intermediaries and we're going to talk about that during the course this afternoon. So those are the businesses.

Having now I guess done this conference and done these discussions for maybe the last four or five years, I personally have a little bit of an unusual feeling coming into this one and that is that across a number of our businesses it feels like we have something to prove. In many cases these are very strong businesses. We're doing well and I think we're doing the right things to build business for the long-term and typically I don't get too caught up in the you know from short-term performance measures.

But it feels like across many of our businesses and I would say this clearly is true in the tax business and I think we will talk about that as go through the day, but it's also true in the mortgage business. It has always been true it seems like in the RSM McGladrey business. It feels like there is - we are in a position where there's something that we need to prove to our investors about the ability to deliver results out of these businesses.

What I can tell you is we take that very seriously and believe that we are well positioned to take advantage of the unique positions that we have in the market, but in the next 12-18 months we expect to actually deliver against those expectations and demonstrate that we strength here.

We have a very committed management team. Committed not just to performance in the business in the short-term, but also committed management team to managing our businesses for long-term success. Something that we continue to do and focus on and with that let me introduce the most recent addition to that executive management team, Bill Trubeck. Bill as I have mentioned earlier is a very skilled business executive. He brings to our organization a very

strong financial discipline, but beyond that he's a great business person. He's a strong leader. He's got great values that fit very nicely with the organizational culture that we have and I'm just delighted that he's here. So Bill.

BILL TRUBECK, EVP AND CFO, H&R BLOCK: I want to thank you very much and good morning everyone and thanks for those nice words Mark. If I thought I was that good I probably would have asked for more on the way in here, but in any event it's nice to be with you. As most of you know and as Mark alluded to I am kind of the new kid on the block here. For my remarks this morning are going really going to be fairly brief and designed basically to set the stage for what will be I'm sure some very interesting and enlightening informative operational presentations which as you know will follow this morning and then again this afternoon and we hope of course that all of you will be with us here today for all of that.

But before I take you through the financial slides and again there are just a few of them, I'd like to say that as many of you know and I've talked to you last night about the fact that I had been a CFO with a number of large Fortune 500 types companies during the course of my career including most recently CFO at Waste Management in Houston, Texas, but from the standpoint of the business mix that we have here, the standpoint of seasonality, the unique financing requirements we have throughout the company and most importantly I think from the standpoint of the potential for long-term shareholder value creation this in my mind any how has been the most interesting assignment that I've yet to tackle.

Block is a unique company in many ways as you know. I'm sure those of you who've followed the company for a number of years has come to that same point of view. But with the solid performance that has existed here under Mark's leadership on the financial side, with the focus that we have as Mark mentioned on capital allocation in particular and with the attention to effective balance sheet management and risk management, Block has positioned itself I think for very solid performance and for growth and value creating opportunities in the future and many of those again you'll be hearing about during the course of this morning and then this afternoon.

Now obviously Block faces some of the very same issues of uncertainty and so forth that other companies of similar size and scale would face and which recently many of the folks who write about us have been only too happy to point out, but with the strength of the brands that we have without reputation for service the quality of the management team that Mark talked about and a strong cash flow and certainly our financial footing, it's easy to be very optimistic about H&R Block in the future and for me at least the decision to come on board three months ago was clearly a very easy one.

Now then let's take a look at some of these slides and this first one it's a - when you look at this in the aggregate it's really pretty easy to draw some conclusions, one of which of course is that during the past five year performance here at H&R Block has been consistently - really consistently strong.

Revenue and earnings growth has been running at or above the high-end of our long-term targets in large part due to the phenomenal economic environment at 001 C the environment that enjoyed and successfully capitalized the time during fiscal years 2003 and '04.

Performance in Tax Two has been strong with revenue and earnings growth there in the low to mid-teens. In fact if you look at the performance from 2000 through 2004, H&R Block four year revenue compound annual growth rate was 14.9% and earnings compound annual growth rate was at 29% and those are numbers which most of the companies that you all follow and many that we all know about I'm sure would be very pleased to have reported.

And equally importantly equity of the company has increased from \$1.2 billion to \$1.9 billion during that same period. But perhaps most importantly the shares outstanding have been brought down dramatically to the current level of 164.8 million shares and that represents a reduction of 31.3 million shares from the year 2000.

As you know in June of last year our Board of Directors authorized the repurchase program for up to 15 million shares and under this program and the ones which existed previously we now have the ability to go out and repurchase up to 15.1 million additional shares.

Another thing for those who track the company will also recall that there were major acquisitions made or a major one in the year 2000 and by virtue of that acquisition Block was put in basically an undercapitalized position. However from 2002 to 2004 (FY '04) Block grew its equity at 17.7% compound annual growth rate bringing it up to a level that was consistent with the requirements of its business activities and going forward and to the extent possible the percentage of equity will be increased or decreased with the mix of assets and in accordance with our targeted capital adequacy metrics.

And just turning back to that level of shares outstanding for a moment. H&R Block has returned value to shareholders both in the form of share repurchases and dividends. There are 16% fewer shares owning the now much larger Block than there were in the year 2000 and at the same time dividends have been increased and they've continued to grow although at a somewhat lower rate.

The Block's scorecard is equally impressive here when you look at this next slide and that the growth and cash flow over the same five year period. First as we look at this one you can see that the earnings per share over the past five years and you can also see the projection there for '05 and again you can see that the solid profession has continued growing from a \$1.27 per share in the year 2000 to \$3.86 a share in '04 and a projected FY'05 number of \$3.50-\$4.00 for the year.

This GAAP view of earnings however does not really adequately show the entire picture of the capital available. So when you look at cash EPS we see the earnings adjusted here for the intangible amortization of course, good will impairment, stock based compensation, net of taxes and as you can see the bars move on the - each one of the bars moves progressively higher.

The expensing of stock based compensation which is a non-cash expense of course was adopted in FY'04 and for the year resulted in an expense of just over \$0.09 a share. The large expense in the first year was due to the one year vesting schedule for the seasonal tax professionals stock option plan and the first third of the expensing for the three year vesting schedule for the management of stock option plan and restricted stock brand plan.

Stock based compensation. The expense for stock based compensation is going to increase noticeably during the next two year period just as the two remaining third of the management plan is expensed.

Next will answer the build up of a bar that shows free cash flow which includes net earnings plus depreciation of course, amortization and good will impairment and stock based comp less of course capital expenditures and again the story here when you look at the three bars lined up or the three representations is totally consistent. So the bottom line is that regardless of which view you use to measure available capital H&R Block has significantly increased its level of capital available to be put to work for all of our shareholders.

And with the equity base now at an appropriate level, shareholders should be particularly pleased I think with the flexibility that all of this provides. And just one final comment on the outlook for '05. The small potential reduction which you see in free cash flow for the year versus last year would be caused primarily by slightly lower earnings and higher capital expenditures and both CapEx expenditures would of course be consistent with what you 'll hear about later which includes the office expansions in the - particularly in the tax area.

Moving next to the topic of our liquidity and our access to capital. It's clear that Block's access to the appropriate funding sources has kept up with the growth and operations. In addition the company's focused upon the most cost-effective funding sources with success that you see here.

We've extended the term of our facilities. We've upsized capacity where that has been appropriate. We've added new credit providers and have meaningfully reduced our costs and importantly we continue to be and are focused upon being an investment grade company.

Our bank lines which are provided by a mix of 31 domestic and international banks have increased from \$1.86 billion to \$2.0 billion and during our last round of increases and I think this is instructive, we had over \$3.0 billion of offered commitment. I think here there's a clear vote of confidence and support for the company from this important group of banks.

Our debt balance consists primarily of two medium term notes. One for \$500 million which was associated you may recall with the acquisition of HRBFA and our most recent \$400 million debt issue and on that score I'd like to point out as well that the - that offering was extremely well received. It had actually been up scaled from a \$300 million level to \$400 million and carried a coupon of 5-1/8th.

At the time that we placed this tenure offering, the relevant treasury the tenure treasury was trading at 4.0%. So what that means is we had a spread there of just about 113 - roughly 113 basis points. So a particularly good performance I think for a company that is not regularly in that market.

And by the way, the tenure is now trading in the range of about 425-427 as you probably know and so I think when looking back obviously sometimes Block is just as good as good planning, but we'll take it.

I also want to comment just briefly on Option One and here say that the terms of in terms of their finding of their liquidity their sources continue to be excellent with additional providers really waiting in the wings. We have at this point in time \$9.0 billion available in warehouse lines from five providers.

Option One will also be launching later this year a \$3.0 billion on balance sheet commercial paper - single seller commercial paper program and however when that's in place we expect that the balances at quarter end will likely be low due to the normal disposition strategies at Option One.

Importantly to this kind of financing can be up scaled to upsized if we need to and when the program is operational just to make a note we will reduce the warehouse lines by about \$2.0 billion here for efficiency purposes.

So just to summarize from the standpoint of available liquidity and protection both Block and OOIC are really in great shape.

It's important to take away from this next slide is simply that we have achieved our targeted capital structure and we have brought the debt to cap ratio down from what you see at the beginning there I said roughly 50% in 2000 to just 30% at last year end. The previously high levels of debt to capital were really a function of the acquisitions that I've mentioned, so with the significant growth in equity over the five year period an appropriate ratio has now been clearly achieved.

As you look at the right-hand side of this particular slide you can see that as a result of our commitments to stay adequately capitalized the levels of non-restricted cash have grown even to the point where they're exceeding total debt. Again the progress here is reflective of strong growth in the businesses and the disciplined capital management that I've mentioned.

This final part I want to share with you on capital adequacy. This one simply shows the lists and the rank order from top to bottom how we look at the priority uses for capital and basically we start with the primary use being the (inaudible) agree investments in our businesses recognizing of course that with respect to capital requirements of H&R Block the requirements in our businesses are relatively low.

The next use is in maintaining an adequate level of equity at the year-end for our balance sheet and business risk purposes and the third use then is growing shareholder value through acquisitions through other investment opportunities as they come along that are aligned with our strategic goals and meet specific total rates.

And finally all remaining capital importantly is returned to our stockholders either in dividends or through our share repurchase program. So to summarize again, we feed the company lust. We then feed the balance sheets. We increase shareholder wealth through the growth of the company and through the payment of dividends or share repurchase.

Now before I turn things back over to Mark, I'd like to just wrap up with a few thoughts and observations on my own first 100 days here with the company and of course one of the first things and the most significant things that you have to become aware of when you're thinking about selling a board is the fact that Block is an industry leader in three of the four business segments that it serves and is certainly well positioned to deliver long-term shareholder value. There's strong brand equity. There's no question about it. Name recognition's extremely high. I guess with the possible exception of our friend Ken Jennings, but notwithstanding that most people know Block. Know the name. Know the reputation. Loyalty is there. We're celebrating the 50th anniversary of Block actually and we'll be at the closing bell ceremony tomorrow I guess it is, celebrating that event.

We also have high client satisfaction not only on the tax side but also in the other businesses and you'll see some statistics-on tharinthe followingpresentations-as well. As I sai,, financial performance. If you look at what we have basically are stable or growing revenue streams. We have strong cash flow as evidenced by all the charts I have put up thus far and we have a very disciplined capital allocations - cap allocation methods within the company as Mark mentioned and I would certainly second that notion.

One of the very important things coming onboard and the point of focus for me was to understand that allocation process and I can tell you that is based upon a very disciplined and sophisticated well thought out program of allocating capital.

Now I've also talked about investment grade and of course that continues to be the metric by which establish our goals, our targets and is very much in mind in everything that we do.

We also have excellent access as I just mentioned to both long and short-term debt markets. The \$400 million note offering is just one example and Option One of course the solid performance that we have there in the asset backed market.

On time I'd also point out that we'd love to have all three Redding (ph) agencies at the top level on the short-term side but from where we stand today we're certainly able to cover all of our short-term borrowing requirements.

If we have a weak spot at this point in time, I would say it's in the area of investor relations in that we do not have onboard as yet a replacement for that open position, but I can tell you we have a search underway. I'd be happy to take information - feedback from any of you with respect to qualified candidates. Our goal - our objective is going to be more active frequent communications with all of you with the streets and try to present that information in a way that it helps you all much better understand where Block is headed. So we expect to have that filled hopefully within months and you'll be hearing more about that and more from that person in due course.

The last slide that I'd like to mention a few things on this are really is just again observations of coming onboard and one of the first things that I asked, in fact with respect to Sarbanes-Oxley as you can imagine coming in as the new CFO, one of the first things I asked Mark was whether or not even before agreeing to come aboard was whether or not I could go out and talk to internally our controller, our treasurer, general counsel and take NG (ph) and in fact meet with some operating people at 001 C just to get a feel for where the company's stands with respect to Sarbanes-Oxley compliance and where we are in that process and I can tell you without any hesitation that I'm very pleased with where the company stands at this point in time.

There is a very talented and dedicated team onboard. They're active daily in trying to make sure that we comply fully with the rules and I think that if there was anything I can guarantee you if anything came up that was problematic it would be brought immediately to my attention. So I have great confidence that we're in good shape with respect to compliance and we'll be totally compliant within the time frame of this fiscal year.

I want to mention to for those of you who follow obviously the detail and the [fuse] and the case. There was one control weakness mentioned in the case and in the (inaudible) and that had to do with tax accounting issues. That is being addressed currently and that will be cured absolutely within the balance of this fiscal year. So there should be no problem there and again I think strong internal controls and no material weakness are anticipated.

I just wanted to say that we are positioned for success. I think we have demonstrated that we have ability to invest in the future of this company. There's some very interesting things coming down the pipe that you will hear about. The company is somewhat resistant which certainly does help and I think through the process of continuous evaluation that we have internally and looking at both existing and ongoing operations and into the future, I think we're well positioned for success.

So to sum up I think H&R Block has a lot going for it in terms of its financial strength. It's ability to support operations and even looking at and accepting that they're variables that you cannot control. I still think we're well positioned to accept the challenges that lie ahead on the financial and on the operating side. So with that I think I'll turn it back over to Mark and thank you very much.

MARK ERNST: Thanks Bill. I'm going to wrap up this morning the opening portion of this - a couple of other things. I want to reiterate - or have a reiteration of the capital allocation through practices I guess that we have and in particular give you my sense of expectations for the foreseeable future, share our continuing a longer term outlook and guidance that we have really with the view for the three to five year view and then finish with my traditional high level assessment of how well we've done in the past year.

On the use of capital side. I think you've seen a chart like this from us before, but maybe the best news is that there's nothing new in terms of any of this. We continue to focus on free cash flow. How do you generate free cash flow? How do you maximize the efficiency that we have out of the use of capital that we have as we operate our businesses and how do you ensure that you have high returns on capital that are required for businesses?

Our dividend policy or practice I guess has been to have a continually increase in dividends. Today, our payout ratio is probably at the lowest level it's ever been. We have grown the dividend about 10% a year for the last five years. Frankly, we see the dividend and share repurchases in many ways kind of alternatives to one another in most environments, not all environments. I suppose if the past treatment of dividends were enhanced, we would look at this differently, but for the time being, I suspect from a going forward perspective our dividend practice will continue to look much like it's looked for the last several years.

We use a lot of the additional excess capital to dedicate to share repurchase. As Bill mentioned and I think we've mentioned this as early as last year, we have really reached or begun to get very close to the targeted capital levels that we believe are appropriate to the targeted rating and through risks that we believe are appropriate for our mix of businesses so that as we are generating significant amounts of free cash flow increasingly that is not being retained in the business to replenish our capital levels, but rather I think return to shareholders through our share repurchase program. Over the course of the last four years we've seen a 16% reduction in the number of shares outstanding.

The other thing that has happened is and it's just now working its way into the diluted share count computation is we have shifted much of the mix of use of equity incentives in the last couple of years to the point where we use far fewer options today. We've shifted towards - continuing to be competitive with overall compensation throughout our organization, but using equity - restricted shares and other forms of equity that have less dilutive effect on our earnings and than what options do. We still use options to some degree in a variety of different ways but the overall level of option awards has been brought down pretty dramatically in the last couple of years.

And finally acquisitions. With the exception of a year ago when we were completing the acquisition of some of our major franchises a one-time opportunity, we for the most part have not been in the market looking to do meaningful size acquisitions. We've done a few small acquisitions that fit neatly with some of the businesses and the opportunities that we have.

You're going to hear more about some of that as we go through the course this morning, but the reality is we don't see ourselves in the market doing major acquisitions in any form for the foreseeable future. We believe we have the mix of businesses. We believe we have the foundations that we need in the businesses that we believe are appropriate to our business or to our strategies and that while we will continue to have smaller opportunities that come along for the most part we don't anticipate that you would see us dedicating a significant amount of capital to acquisitions.

In terms of longer term outlook. We are just finishing - in fact I just saw I think the last of it in the last week or so a longer term three to five year planning across all of our different lines of business. So with that I guess, I feel more confident at least talking about some of the prospects that we think exist for our businesses going forward and in terms of support that is behind our long-term expectations.

We believe that it is reasonable from our perspective to expect that we're going to see revenue growth in the 10-15% range for the near term and when I say near term, I would say that's over a three to maybe four to five year cycle because as you get out and beyond that it's pretty tough to judge what the world will look like, but if we look into the next three to four years, maybe even into five years, we believe that revenue growth in the 10-15% range across the range of businesses that we have is an achievable expectation that we should have.

We think earnings per share will grow in the 13-18% range. I'm going to talk more about how that happens. With returns on equity not building capital, but rather getting returns on equity in the 30-40% range, we've actually been above that for many of the last several years and we're not doing any of this by stretching the balance sheet. We think we can do it by continually having a very prudent structure of both the assets that we carry as well as the capital that we retain on our balance sheet.

The key for making those expectations come true I think though are a couple of things. The core tax business given its secure scale simply must be growing very nicely for that to be achieved by us and I believe that for the next three to four years we believe there is meaningful growth to come in our core tax business through the continued implementation of our office expansion something we will talk about more this morning. Continued expansion of our channel partnerships such as the ones we have with Sears and with Wal-Mart where we can put more points of presence and more distribution points out there.

There will be changes coming in our portfolio of settlement products over the course of the next couple of years that will have an impact on our ability to grow earnings and grow revenues. We are beginning to get very meaningful leverage out of the investments that we've made into our digital business and that is having a strong effect on our ability to grow the earnings and we think the tax segment we think that's going to continue and we believe there is opportunity for us to manage our costs better within this business and to improve margins beyond where we have been at, even as we are in the midst of an office expansion program. But we're working now on identifying just how big of an opportunity that might look like.

At the same time we recognize that you can't do all this stuff and just sort of optimize the short-term without seeding for the longer term and we're going to talk this morning about things that we are also expected to do within this

guidance over the course of the next three to four years to establish or seed growth opportunities that will take us beyond the point where we think office expansion can take us in the near term.

Looking at number of new very interesting exciting business models and some fundamental differentiation strategies that we think will allow us to continue to grow the prominence of the Block brand. So with that I'm expecting that we're looking at this segment of the business delivering high single, maybe even low double-digit revenue growth with high single to double-digit earnings growth out of the tax segment as a whole.

In the mortgage business, again we're going to talk more about expectations specifically for that business, but we are expecting that we can continue to and will continue to grow the level of originations in this business through a variety of means that we'll talk about. We think that we have a very - continued very big opportunity in the retail part of that business and grow earnings and revenues and we believe that we have the opportunity to lower our overall costs origination to make that business even more competitive from an economic perspective.

So we are projecting that revenue growth in the mortgage business over the cycle will look like 10-15% a year and that we believe there's earnings growth within this business that would - to be in the middle double-digit range as well.

RSM McGladrey and Financial Advisors you're going to see more specifically are a three year view of our attempt, but we are expecting that with the addition that we're now at with the mix of businesses there, we are expecting that you're going to see middle double-digit revenue growth in that mix of businesses for sometime and earnings growth that will actually be even higher than that. So all in all we think that we're well positioned with virtually all of our businesses to contribute very nicely to continued growth in the course of the next three to five years.

At the same time on the capital side as we've mentioned a number of times, we have the level of capital that we have been targeting and we continue to be very focused on ensuring that we have the right mix of capital and the right amount of capital to support the businesses and the business risks that we have so we're also very focused on returning excess capital to our shareholders.

During the course of the last year, our share count has been reduced just under 5.0% so far and I would expect that through capital allocation and in particular our share repurchase program we'll have the opportunity to continue to reduce the share count which enhances obviously the EPS growth.

So overall I'd say that the prospects in a couple of years at least by our view of things looks pretty good and we're doing that. We think we can deliver really good solid growth in the business - in the earnings the cash flow to this company while at the same time not short cutting and short changing our investments in the longer term business models that we think will continue to allow us to sustain both the brand that we have as well as the sort of the businesses that we have inside those brands.

We clearly have some priorities that you're going to hear much more about. I'll just give you a quick highlight before we get into the course of the detail. Under the Block brand and the Block businesses, there're a number of drivers that we know we can impact that will allow us to grow and improve our position in this market and we have to capitalize on those in the near term. We at the same time have to build additional business models that leverage and build off the strong position that we have so that we have the opportunities to grow additional revenue and earnings streams beyond sort of the nearer term planning horizons and consistent with our overall strategy for all the different businesses that we have we are continually focusing on how do you drive differentiations in the way in which we serve clients that allows us to have a unique competitive position in the market and sustain the competitive position that we have had in this market and we'll talk about how we're doing that today, but these continue to be very significant priorities for us and how we manage this business.

At RSM McGladrey, I'd say we're in a little bit of a different position than that and that this position is really well positioned. We have to capitalize on the sort of current market disruption. You know the things that are going on inside the market that we are uniquely positioned to capitalize on. We also continue to see an opportunity, although Steve and his team have made real progress and in the course of the last 12-18 months at integrating the whole range of services that we have available for our clients and to benefit both our clients and our business models process by bringing those services together on behalf of clients. So we think we clearly are on a path now to capitalize and realize some of the real value that's been building inside of that line of business.

And then in Option One where we're at today we have to adjust our business to the changing rate environment that we're going to be experiencing as well as what we expect to be a slower growth environment for the non-prime business overall building on the service advantage that we know we have within the industry is important to us. Driving down the cost origination can have a very, very meaningful impact on the earnings and the bottom line of this business for us and

we have to do that also at the same time that we've maintained real pricing discipline in the business. One of the key challenges that we know we have is to price our services right in a tricky changing rate environment and we're very focused on ensuring that we do that well.

I want to close out this morning's session by talking about both the key priorities and challenges that identified for I guess myself last year and how well we did and then talk about what those look like going forward. Historically, I'm not sure how I get caught doing this - historically I put grades on these and I my kids thought it was really funny to see me do that. I've actually learned through the process this year that people throughout our organization wait to hear how well we got graded this year based on this process. So those in the audience you may feel this is really interesting. Back in the webcast there's a lot of people waiting to hear what we're going to say.

So with that let me talk about the things that we said were important a year ago and how well we did - I did, but how well we did as an organization to actually deliver against this. Last year we said that we had to get the focus in our tax business on growing our position in the market, developing and executing our growth strategies that would allow us to gain or maintain profitable market share and I know this is sort of shocking for some people, but I'd give it a "B", you're going to hear why that is this morning.

The simple reality despite sort of the performance last tax season is that we have a very strong understanding we believe of those things that drive performance in this industry and the unique changes that have occurred over the course of the last five years of what we have to do as an organization to respond to that to maintain our position in the market and while it's not proven yet, and I think you know as I said in many ways it feels like it costs many of our businesses this one included - the tax business included, we have to prove ourselves. The reality is we believe we have a very strong insight and understanding of what's going on in the market. Where our position is. What our competitors strengths and weakness are and what we have to do therefore to maintain and enhance our position in the market.

So probably the thing that keeps us from being an "A" is we haven't proven it yet, but overall I think the real work that goes on behind the scenes to get us in a position where we can execute effectively on this in the market has been done reasonably well.

We also talked about (inaudible) differentiations and the need to do it both - deliver on advice as well as enhance the client experience as subset of that deliver financial services integration to support the value that we deliver to clients average minus, C- and let me tell you this is a mixed bag. I think that the things that we have done to deliver quality advice to our clients - to have clients see greater value in that, to get a better client experience in the core tax experience they have, we've done quite well on and you're going to see data that supports that.

At the same time, we have clearly not made the progress we should make and we need to make at integrating financial services into those clients relationships to enhance both clients relationships with us as well as the economic outcomes that we can deliver for shareholders. So I think we have progress yet to be made there.

A year ago, I said we needed to drive growth in the financial advisors business, but I don't think there's any mystery in that. We've been focusing on and delivering inside the business laying the foundation that allows us to be much more successful with this business, but we have not translated that strength of foundation into revenues and earnings and we know we have to do that and we have to do that in the very near term, but we did not get it done last year.

RSM. A year ago, I said we needed - we were well positioned in that business and our challenge was to execute and I would tell you that Steve and his management team have done an outstanding job of executing and so we are as a result in a much better position today. We are gaining very real traction in this business. We have a long way to go in terms of the opportunity that is presented to us, but we took the steps in the course of the last year that I was hoping we could take to better position us for where we can go next.

Within Option One, we knew the world was going to look different over the course of the next year and in fact that has been the case and the way I at least saw it then was that we needed to refine what we were doing to prepare ourselves and to operate in an environment that was going to be different than the one we'd been operating in for a number of years.

I think in many ways we have done those things that we had to. I think that we didn't know what we didn't know if anything in terms of where the pockets of strength and maybe even the pockets of weakness within the organization were and as we have had to adjust to a rising rate environment as we've had to adjust to various competitive actions that our key competitors are taking in the market, I think we've learned a lot about ourselves and where we're strong. We've proven to be strong and where we thought we were going to be strong, we found some places that we have to do better

at and I think that as a result of that we are getting through what is a challenging changing market environment for this business.

I'm going to probably - very good and we've done the things we had to do maybe with a bit of a lag, but we've done the things that we need to do to address production and continue to have our ability to maintain or grow our share of the market. I feel very good about our position there.

On the other hand, I think we've been slower on the cost side to manage our costs origination to ensure that we have a very, very competitive cost structure in that business and the pricing environment in the mortgage business - you know it's tough to judge frankly because I know there's trade-ups being made in the market every single day. There are judgments being made about where's the right price point relative to the service advantage that we have and what's the trade-off that you're making?

I think we're understanding where our price point advantage can be in that business given the service levels that we deliver today, but that is an area where we will continue to be focused over the course of the next year to ensure that we are fully taking advantage of the position we have in the market and recognizing that the competitive nature of that industry is changing.

On the capital allocations side, I don't think I'd do anything different. It's hard for me to say there's anything based on what we have done since we've talked a year ago on the way we have allocated capital that in hindsight I would do differently.

So we'll take a decent grade on that and in choosing the winning results it's hard for me to say that - Bill and I were discussing this as we were getting ready for today's session and Bill said, hey it doesn't look that bad to me, you know but from my perspective in tax we've had good financial performance but the issue about market share and units just leaves a clear cloud that I think everybody in the room knows about that we have to get focused on, so I don't know how we can claim great results without that piece of the puzzle being solved.

In the mortgage business we've had - we're working towards transition but it's clearly having an impact on us financially at least in the short-term Financial Advisors we've been disappointed thoroughly in the results. There are some I think we're getting the kind of results we need. So overall given the realities where we were at we'll take a "C" on delivering results.

That leads to as we look forward one of the key priorities that at least I see for us as an organization going forward many of these sound similar to where we've been because I don't think that we're seeing dramatic changes in the way in which we are focused on the business. I'll just highlight a couple of things that are a little bit different.

Clearly in the tax business we have to focus on tax growth strategies that will contribute to our position in the market. We're doing this in a very disciplined way. We're not throwing capital after growth just to prove that we can do it, but at the same time we believe that we have opportunities to grow our position in the tax market and you're going to hear much more about that and that is a top priority for us.

We have to continue to differentiate H&R Block in the market for the long-term. We believe we can do that and strategically are pursuing this by delivering advice - the delivery of it - a growing and even better client experience. We are doing that by integrating financial services where those are appropriate and one thing that is a little bit new that we are beginning to work on is how do you deliver segment and service?

One of the challenges we've had I think with the business model - the Block business model is that it in many ways has been one model designed to fit whoever will find it acceptable and as a result this mass market business model that is our tax business has not been as tailored to different segments of the market as we believe we could benefit from if it works.

That's easy to say, it's really hard to do and so we have begun the process looking at how do you better segment the way in which we deliver service to consumers in different parts of the market and what do those changes have to look like and therefore how would you modify the go-to-market strategies that we have across that business. I think in the next year, two years, three years, four years, you're going to hear more and more from us about the ways in which we can see delivering different refined value propositions to different sets of consumers out there all under the Block name, not trying to dismantle or change the business, but trying to enhance the business in ways that fits the needs of consumers better and better and better and you're going to hear the beginnings of that today as we talk about one part of the market overall. So that I would highlight is a new priority for us as we go forward.

Financial Advisors. We have to in the next - it's not the next 12 months, it's the next six months resolve the prospects for this business and how it will fit into our overall strategy so we are very focused on resolving that fit for us for the long term.

In Option One the changing market environment will be with us at least for the next 12 months. Probably even longer than that and so we have to continue to be focused on those things that will extend our service advantage and at the same time I believe meaningfully lower our costs originations so that we put ourselves in the best competitive position possible to take advantage of the turmoil that will be out there as an industry that has been growing very rapidly for a number of years finds itself flattening out with new sets of competitors having entered the market and ensuring that our position in the market and the differentiated position that we have had continues to have real value and real fraction and allows to build our share of the market overall.

Within RSM, Steve and I have talked about this extensively are very committed not to take our eye off the ball of investing in the businesses that we think can deliver great results for us for the long term, but to over the course of the next year begin to have those businesses delivering bottom line results that allow shareholders to see the progress that we're making through the financial performance, not just through the words that we tell you.

So we're going to share with you some of the plans and where we think that's going to happen but again, it's not designed to short cut or to take a short term orientation, but we do believe we've made the investments into this business and into these businesses and it's time for the businesses to start demonstrating that financially and of course we will do all that while we continue our disciplined capital allocation and perspective and hopefully deliver good solid financial results in the near term or the short term as well.

So as I look forward to the next year and maybe before we will get together again those are the priorities that I see across our businesses. We're going to now go into sessions talking about much more of this at a more granular level and I want to start by having us go to the consumer tax businesses and the consumer financial services businesses.

We're going to cover a variety of things today. Just going to start by talking about our overall brand strategy. What we're doing there. How we see - why we believe the things that we are focused on can position us well for not just the near term but also the long term We're going to talk about the tax industry structure and some evolving views that we have of what's going to happen over the course of the next five to ten years. Where the growth is coming and therefore what do we have to do to position the Block brand for success for the future.

We're going to talk very specifically about the near term execution priorities that we have for the upcoming tax season and then we're also going to talk about new business models that we are investing in so that we can improve our growth prospects for the long term, both things around our traditional tax businesses from new business models that we have in the market have been in development that will be in the market this year and how the fit of the consumer financial services businesses is both working as well as where we see the changes to make it work even better and then we will wrap it up with a little bit of a view of at least our view of where current tax filing season expectations are and then we'll go to Q&A.

So with that let me introduce Jeff Yabuki, who's going to take the next section.

JEFF YABUKI, EVP AND COO, H&R BLOCK: Good morning. Mark, I just wanted to say thanks for the performance review. I'm going to start by talking about as a bit of a quick review on our brands strategy. Mark mentioned it earlier and kind of the key elements of that brand strategy.

Our brand strategy is to deliver high-quality tax and financial services differentiated on the basis of relevant and actionable advice and actionable is one of the key words assessable by consumers in the channel of their choice and really the elements of the strategy are exactly the same as we talked about last year really looking at how can we broaden our tax capabilities.

When we talked about tax capabilities, we talked about the retail tax business, the digital business and we think some new business opportunities that are in the tax segment that we're going to talk about today but really continuing to focus our H&R Block brand strategy by putting the tax business in the center of that strategy.

Secondly, using personalized financial advice. Using advice as a key differentiator for us and included in that is really still making progress on leveraging our data advantage. As you know, many of you know we have several years to many years of sequential tax information for our clients and how can we use that data and how can we use technology to deliver consistent and personalized financial advice.

Next. What are the right advice fulfillment capabilities? We think advice is really key for us on a differentiation front. However, we also recognize that advice has to turn into action and for us the key is what are the things that we have to have within the H&R Block brand so that we are in fact allowing clients to have a better life, improve the quality of their life to turn that advice into action and have that turn into shareholder value so that we have several different ways that we can create shareholder value and we'll talk about that in a little bit and then lastly, how do we use the multiple channels today?

We are the only tax services firm that has all of kind of the three big channels. Retail, software and online. We're the only provider of those channels and how do we allow clients to seamlessly go across those channels and frankly how do we begin integrating the other elements of the Block brand to allow for appropriate multi-channel access?

Another very important point in multi-channel access and this is especially relevant in the online channels is we are bringing new people into the H&R Block brand. People who would otherwise not be exposed to the H&R Block brand and we're going to talk about how that is in fact creating value of both in the short and the long term.

The first element of differentiation for us as we've talked about for several years is around advice and how can we provide advice. One of the challenges that we have as some of you probably saw Jeopardy where one of the questions was, what is the firm, the white collar firm - what is the firm that hires 70,000 or more white collar seasonal workers and clearly one of the challenges we have when we hire that many people and Tim will probably talk about how many people we hired this year, is how do you deliver this consistent client experience?

How do you deliver that 16 million times and we are looking to use technology as our way to deliver advice to ensure both quality in that advice, but to ensure that clients are getting the right advice based on their personal situation and so what we see as an opportunity to take the tax return which is really very historical looking. You look in the rearview mirror you prepare your tax return. We want to turn that into a proactive experience and today we have an element in our tax preparation process called the Block Advantage and part of the Block Advantage is providing customized advice and those advice elements include occupational advice, they include financial advice. For some clients it includes government programs that maybe available to them.

It really depends on the person's situation, but we think that takes the tax profits from being very historical in nature to very forward looking and ties into our brand strategy in terms of setting clients up you'll have to take action to improve their situation and actually we think it's very important because it enhances the image of our tax professionals and the brand overtime.

The next key differentiator that we see is that of financial services generally and this strategy as we've talked about before adds value for shareholders in several different ways. First we have product economics that are stand alone profitable. We are able to setup an Express IRA for example. We have the ability to charge clients for the Express IRA where it makes sense. Where we have the client right in front of us we don't have to send someone down the streets so we're leveraging our existing infrastructure. We don't have a lot of incremental costs outside of technology to do that. Where we're able to in effect create a spread on those assets to create some more under long economics and then very importantly there's a loyalty advantage and what this chart shows is for clients that open Express IRA with us. They stay with us on a seven percentage point higher level than those who do not. So the peer group for the people who take an Express IRA would be retained at about a 73% level, but those who take an IRA are in fact retained at an 80% level. So this loyalty advantage is critical for us in looking at one of the many ways that we can build retention.

As we've talked about for several years, there's no single silver bullet for increasing retention. We think that by adding financial services that build's satisfaction and the loyalty is one of the ways that will increase retention overtime.

In the financial services business we get an even larger lift for our financial advisors. Even for clients who are referred to a financial advisor and don't open an account we have a four percentage point lift in retention and so that talks to the value of integrative relationship and increased satisfaction of clients just by knowing that they are being supported by in fact an team of advisors and a very solid 11 percentage point gain when someone opens an account.

For those of you who were here last year, you know that that is an increase. Last year we saw about an 8% lift in retention. So we're getting we think even better more targeted in working with people who are appropriate for these kinds of referral services and mortgage continues to also see the lift. We have an eight percentage point lift in loyalty where our clients have in fact opened a mortgage with us.

So again taking the client's tax situation, providing advice and turning it into a product relationship is quite profitable in several dimensions and we believe key in our brand strategy. The last element of our brand strategy is one of using channels a key differentiator where we have again retail, software and online as our four channels.

Over the last several years, we've begun to look at ways to merge those channels together to allow people to seamlessly cross between online and offices or software and online or whatever the case maybe and I'm going to talk a little bit more about that later, but I did want to highlight right now that we have a new product - a new software product that we introduced this year called, H&R Block's Signature, and H&R Block signature is an innovative product.

It's the first product of its kind that allows a software user basically the ability to interact with a tax professional on a wide distance basis and in fact if any of you would be interested in that product if you can check out at the hospitality desk, we'd be happy to let you have an opportunity to take a look at that as well. So this is in summary our brand strategy consistent with what we had talked about in previous years.

I wanted to next talk about our view of the consumer tax marketplace. How the basically the 132 million or so filers, how do they stack up? What are the characteristics and where do we have some opportunities here.

We believe that the marketplace in general is obviously split between paid preparation and do it yourself. In the retail side of the business we would call the retail side, H&R Block, some of our branded competitors, many of the storefront providers who are operating say speed of refund products today. There're about 29 million clients who are served in that arena and their revenues for that segment are about \$5.5 billion a year and that includes all of the wow related revenues or rack related revenues all of the underlying franchise revenues.

So for H&R Block we'll talk about what that means to us, but understand that these are all of the people in fact who are benefiting from revenues against this segment today and this represents about 22% of total filers in the U.S. and they're about 16 million banks products today that are offered and again all of those revenues appear in this segment.

The second element of the paid preparation marketplace is the CPA accountant segment. There're about 50 million consumers who are served by that category of providers and I would point out that we're talking about the category of providers and not necessarily the behavioral or psychological attributes of the people.

We serve in our retail channel a number of people who have CPA like attributes. I'm really talking about who's delivering the services. But as you can see, paid preparation accounts for about 60% of the total tax preparation market today and we think this segment is worth about \$10-\$12 - some estimates are as high as \$14 billion. So this is a very lucrative part of the market and frankly at the upper end of the market this is one of the places where you would see RSM.

Interesting the characteristics of this market is they are extremely fragmented. Many, many competitors with very loyal clients. It's a slower growing. It's not a mass marketed kind of segment. CPAs as you well know grow basically on a referral basis so you don't see a lot of advertising. CPAs have almost no share of voice when it comes to media and it's a very, very high margin business.

Although the net income comes out in the form of partner compensation or proprietor compensation so it's a little bit different than you would see if you compared it to Block and again paid preparation is growing. Paid preparation we think grew about 200 basis points in utilization from about 58% to 60 and change. Unfortunately as many of you know, we won't know that data until September of 2005. But again a very attractive segment.

Moving to do-it-yourself. We believe there are roughly 40-45 million users in the do-it-yourself segment and you really have online which is the fastest growing element of the online - I'm sorry, of the do-it-yourself segment and actually the only growing segment we believe over the long haul for the do-it-yourselfers. There're about eight million people using the online space today. Interestingly unlike the software business that I'll talk about in a moment, the online space has become a very low barrier to entry business where the software business has a very, very high or tall barrier entry and that's called retail distribution.

Today because of the advent of FFA, you have basically anyone who meets the criteria of having an effective tax engine can in fact go online and distribute tax returns. So it's gone from probably having three or four different providers back in the year 2000 to I believe this year we're anticipating about 18 different firms distributing products on FFA alone and there are many other distributors of tax preparation services online. So you're seeing a lot of fragmentation without a lot of direct revenue. This segment total DIY, is only worth about \$800 million of which the online piece we think is right around \$100 million of revenue.

The stock in the largest revenue element at least of the do-it-yourself segment is in the software business. Now I would caution you that there are not 20 million people buying software at this point. There are roughly 8.5 and maybe 9 million boxes of software sold a year and this 20 million really reflects what we call the "pass along effect." People

buying software and basically passing it on to someone else and we can tell about how many returns are filed by IRS or at IRS and it's about 20 million.

The software business is slowing and we think slowing rapidly. Our prospects for this business and I'll talk about this a little bit more later are certainly over the long term that this will actually be a declining business in terms of new software users with most of the people, the new users going to either online or retail.

And lastly kind of the other category and in the other category you have a series of different methods. You have kind of the traditional pen and paper methodology. You have friends and family so I do a tax return for a friend of mine and you have IRS's TeleFile system which we kind of lumped into this group right now with the IRS eliminating the TeleFile system you'll have several million users who have to figure out a new method of tax preparation over the next couple of years.

Many of the market characteristics are the same. A lot of fragmentation. You have customers looking for a lot of value. You have growing share and you have pricing kind of somewhere between lack of pricing transparency and basically clients having a fairly high level of insensitivity to price. So it's interesting that that goes across both the pay right now, because we see both the paid preparation and the do-it-yourself methods. So that's our view of the overall market based on kind of our own analysis and some of the analysis that's done outside of the industry - or in the industry.

From our perspective how we shape up on the paid preparation side, we represent about 20% of all of the of the paid preparation today of the 79 million people who are preparing - having their prepared - I'm sorry having their returns prepared by someone else and we represent about 18% of the revenues on an equivalent basis and again as a reminder you won't see that number in our financial statements anywhere because that number includes the revenues that we collect in our company operations. The total production from the underlying franchisees and the total revenue associated with bank products and other products some of which we do not get. At least we do not recognize those revenues today.

On the do-it-yourself side, we have about somewhere between 3.2 and 5.6 million people using an H&R Block product and that would be an online product or a software product, some of which are paid for and some of which are not paid for and on the revenue side, we're collecting about \$100 million out of about \$800 million.

So while we have and specifically on the paid preparation side, we have a very strong market position in terms of size of our share. It's interesting to see how much opportunity may exist in both of these very attractive markets.

Thinking about the marketplace in general and specifically the paid preparation market as it relates to H&R Block, we've had the last couple of years have clearly been challenging for us and in really looking at what are those factors that are impacting us very clearly today and probably others in the industry, although it may not be quite as clear yet, there has been a significant change in how people enter the tax markets. In the old days, I think the - at least the institutional wisdom would be people would prepare their own return. They would then graduate to H&R Block and in many cases would then graduate to a CPA and that was the lifecycle of a client.

Today as people enter the market they are very unlikely to enter the market as a paid - I'm sorry as a pen and paper preparation and they're really looking to go to online especially as it relates to the youth market and so we're seeing a shrinking - and we're going to talk about what that's means to us in the schools of new clients for H&R Block.

Number two. There are slower growth levels in our what we would call the traditional speed of refund segment. Mark made reference to kind of looking at our business and breaking it down. I'll talk about that in a little bit of detail because it's really in the process but there are distinct businesses underneath the 16 million clients that we serve at retail today and some of [host sLginents e of those segments uc growing slow ■ ■ refund as all of you know has been slower for us over the last couple of years for a variety of reasons of which I'll talk about later.

On top of the speed of refund the slower overall growth, I think you all have regulatory activity which is beginning to change the dynamics of this segment as well and I think raising the awareness of those of us who provide services in that area to be watchful of what's going on in that regulatory environment at a level that's higher than it has been over the recent years.

Increased competitive intensity is something that we've talked about before and I'm going to save that for a later slide and then lastly what's gone on with employment.

Looking in a little bit more depth on what this means over the last four years we've gone from 33 million people preparing their own returns using pen and paper to 21 million is our estimate for how many people used pen and paper

last and what the chart on the right shows is basically on a self-reported basis the new clients that we brought in from the DIY pool in the year 2002, how does that compare to what we see in 2004 and what you can see is that the paper and pencil pool is shrinking for us. There are less people and therefore we're bringing in less people in the firm from it.

Conversely, we're making progress on the online side of the equation and on the software side of the equation. One of the things we're going to talk about is the importance of taking a lot of share in the digital channel and this is one of the reasons why this is important. For us, the ability to bring in new clients is key to running our business and a lot of these new clients are former do-it-yourselfers.

So we're picking up steam in some of the new areas of growth and we're obviously looking for ways to get a larger share of paper and pencil, but I would ask you to understand that that mix has changed.

On the whole notion of competitive intensity, it raises a bit of an internal debate within H&R Block and that is if you look at these charts, the first chart really talks about what is our percentage of locations relative to the other brand of competitors. You can see back in the year 2000 we had 59% of all of the branded competitors and large local competitors, 59% of those locations were H&R Block.

Get to the year - fast forward to 2004 and we're down to 46%. One of the reasons why we are growing our location count and Tim is going to talk in some detail about why that's important. What it's meant to us. At the same time our level of accessibility was declining. We had a substantial increase in the number of electronics return originators basically people who are electronically filing.

Now you can't use this chart as a proxy for new competitors. What this really means - this is a much better proxy for - between the year 2000 and the year 2004 if you assume that the only reason why people electronically file and that would be an unfair assumption but to illustrate 63,000 locations could prepare a refinance station loan could electronically file a return.

Fast forward to 2004 and that number is more been doubled but we estimate there're about 131,000 different locations who can basically handle a return for someone who wants to get their money faster whether it be through electronic filing or one of our settlement products or competitive settlement products. So it's not necessarily just additional competition because H&R Block has always had new competition on an annual basis, but it is also the competitors that we have being able to offer a substantially similar product and when you put those together those two elements combined create what we refer as, "competitive intensity."

That said, we still see a very attractive market opportunity for H&R Block. We believe that over any extended period of time the tax return growth itself for the overall market will continue to grow at a 100 basis points or so, but paid preparation will continue to grow at a level that is faster than that of the market. In fact we did some research over the year and there's about 78% of the total filing population that demonstrate paid preparation behaviors or has the propensity to avail themselves at a paid preparation. So that doesn't mean that we'll see 78% paid preparation at some point, but it does mean that there's still a lot of growth potential in paid preparation and there are some very large growth opportunities in our digital and we think in the CPA client segment that we're going to talk about in a little more depth.

So that really moves us to our strategic priorities. What are we focused on both now and in the future?

The first area of growth for us - or the first area of focus for us is rebuilding our retail momentum and when I say rebuilding retail momentum what I really mean is rebuilding our ability to grow the client at what is an acceptable rate because we have a lot of momentum in the business for a variety of different things, but the core elements of this strategy are increasing and expanding our points of presence and Tim will talk about all of the items.

Secondly. What are we doing not just to expand the number of locations we have today, but are we doing to increase our service capacity in existing locations so that we can get the benefit of increased convenience in the 10,000 or so offices that we have today?

Third. Increasing retention and referral. Something that we've been talking about for several years. Tim's got some very exciting information on how we're doing at increasing satisfaction which we think is a very key indicator of increased retention and referral.

Talking about marketing effectiveness. We indicated last year that we needed to specifically improve our first half campaign and Tim will talk about that as well.

Secondly. Driving growth in the digital channel. I can't impress upon you enough the importance of us growing the digital side both as a stand alone we think very attractive marketplace given the high margins that exist in that business, but secondarily the ability to bring people into the brand and overtime migrate them to paid preparation as that makes

sense as well as (inaudible) for the attrition that occurs within our retail business people going to some kind of a digital solution.

And lastly I want to introduce to you today some new value propositions, some new ways of doing business that we'll be focused on for the next several years that we think are quite exciting. We're looking at what is the opportunity for us to begin to attack the clients who have an affinity to work with a CPA.

Secondly. What are we going to do around financial services integration and does that fit with the H&R Block tax business and then third we think there's actually an innovative and interesting way for us to basically operate as a back office for CPA firms in the U.S. so that we don't have to serve them on a face-to-face basis, but we can in fact create some interesting margin opportunities for us again leveraging our existing infrastructure.

So with that, I'm going to invite Tim Gokey in a moment to come up. Tim is our new President of U.S. Tax Services and as Mark indicated we're quite pleased to have Tim onboard and I would invite you to engage Tim in a conversation at sometime over the next several hours. So with that let me bring Tim up.

TIM GOKEY, PRESIDENT, U.S. TAX SERVICES: Thank you Jeff. Good morning to all of you. I had a chance to meet a few of you last night and I'm looking forward to meeting more of you today and overtime. But today, I'm going to take about 30 minutes to elaborate on the first strategic priority that Jeff discussed. Rebuilding momentum in our retail business. This is clearly a critical component of our overall Block branded business strategy and so I'm going to talk about some of the executional priorities that are related to that.

Jeff outlined a five part strategy for our retail business and let me just start with the first of those which is to improve both convenience and capacity by expanding our points of presence and this is something certainly that we have talked quite a bit about over the past year.

What we're showing here is a rather complicated chart that represents our current distribution network and our future state of our distribution network. On the left is our current network. On the right, the future. Each of the appropriately shaped little green blocks on the chart represents a specific metropolitan area and across the bottom of the page is our share of distribution as represented by share of electronic return originators and on the left hand side is our market share.

This represents one slice of the various analytics that is down and around the distribution opportunity and I really think it brings up four key points.

The first is we see a very strong linkage between our share of distribution and our overall share of market.

Second. Because of the strength of our brand we see that as we gain share of distribution, we get disproportionately gain market share. That happens particularly when we are under-penetrated from a distribution standpoint and then as our distribution expands there we do see diminishing returns with that, but what it does allow is we have to be quite targeted as we think about expanding our distribution.

So as we talked over the past 18 months or so about expanding our distribution network by over 2,000 regular offices that is something that is not an across the board expansion, but its quite targeted in those areas where we believe we are under-penetrated relative to the share of distribution and we should have for our brand and these analytics allow us to have a very good understanding by looking at the relationship between market and share of distribution in a given market in terms of what incremental returns we should expect network wide as we expand our distribution in any given market and that allows us to be pretty targeted and disciplined in terms of the types of investments that we make.

Without geeing-nto-specific numbers, I (-aidus(say ddatthevrtetnal)a es of iewms that we expect flout these network investments are very high. So if that is the broadest value let me talk for a moment about this year. I'm going to talk first about regular offices and then I'm going to talk a little bit about alternative distribution.

On this chart the blue blocks are the zip codes in which we have expanded company owned offices this year and the white blocks are where we're adding franchise offices this year. The red circles are areas of specific focus. I'm going back to the chart we just looked at. They really show areas where we believe there is additional opportunity in terms of the share distribution that we'd like to have in the market.

In fact some key points to draw out of this chart. First is that we are on track this year for meeting the upper range that we have discussed in terms of the addition of regular offices. We expect to add in excess of 750 new regular offices across the network this year. We are on track for all the executional milestones. We have a complex project management office around this entire effort. A whole series of executional milestones and we have hit everyone of those as we go forward.

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HEADLINE: CAPITAL: Rule Keeps Returns Low for Some in 401(k)s

BYLINE: By David Wessel

BODY:

PERSUADING AMERICANS to save more — and save more wisely — for retirement is one of the few goals that conservatives and liberals, Republicans and Democrats, employers and unions share these days.

So why is it taking so long to change an anachronistic Labor Department rule that nearly every expert agrees is foolish and that encourages employers to act contrary to employees by funneling their money into low-yielding money-market funds.

For years, employers have been moving from defined-benefit pension plans, the kind that promise a monthly check based on years of service, in favor of defined-contribution plans in which money goes into mutual funds that workers chose from a menu crafted by employers.

Until recently, employers gave workers the option of signing up, sometimes offering to match contributions as an inducement, but largely ignored workers who failed to enroll. Today, a minority of employers, but a growing minority, are enrolling employees automatically, giving them the right to opt out.

The subtle change, as my colleague Jeff D. Opdyke recently reported, provokes many more workers to save for retirement. But employers who automatically enroll workers must decide where to invest workers' money if workers don't choose. Should it go to money-market mutual funds, a combination of stocks and bonds or what?

Most employers, even those progressive enough to switch to what are called auto-enrollment or opt-out plans, still put the money into money-market funds, which invest primarily in short-term corporate IOUs. The return is low, but the principal is relatively secure. Money-market funds are a smart way to set aside money for next month's tuition or for emergencies. But with an interest rate that hovers around the inflation rate, they are an awful vehicle for retirement savings. "Especially with savings rates as low as they are, a 100% allocation to a money-market account is not safe," says Richard Thaler, a University of Chicago economist seeking ways to boost American saving. Indeed, he calls it a "guarantee of inadequate retirement income."

A SURVEY OF 458 large U.S. employers by benefits consultant Hewitt Associates found that 19% now enroll their employees in retirement plans automatically. Of those, 56% still use money-market funds as the default option; the rest use a more sensible mix of stocks and bonds, often lifecycle funds tailored to a worker's age — more in stocks for the young and more in bonds for the old. A survey of 1,694 plans (including those with and without auto-enrollment) by Vanguard Group, the mutual-fund company, found that 80% put money into money-market funds or similar short-term investment contract funds — unless the employee specifies another option.

Why? Partly inertia. But there is another reason: lawyers. "Some attorneys advise clients that choosing a money-market fund or investment-control is the best way to minimize litigation," says Stephen V. Utkus of Vanguard's Center for Retirement Research. They fear workers or class-action lawyers will sue an employer who puts money into any fund that goes down. No expert knows of such a suit - except in cases, like Enron, where employers put a lot of workers' money

into the company's stock — but that doesn't matter.

"Too many people are investing too much in money-market or similar nonequity funds, and too many are overinvesting in employer stock," says J. Mark Iwry, a former Treasury employee-benefits counsel. "Unfortunately, the ability to improve investment choices through an infusion of professional guidance has been hampered by timidity on the part of the government."

LABOR DEPARTMENT rules written in the 1990s under the Employee Retirement Income Security Act are specific: An employer doesn't have to worry about lawsuits if it gives workers a prudent choice of funds, and the worker picks one — even if that fund goes sour. But rules didn't anticipate automatic enrollment, and the protection doesn't apply to employers who make a reasonable choice when a worker doesn't.

"The Bush administration has implicitly endorsed lifecycle funds for Social Security private accounts," Mr. Thaler complains, "but the Department of Labor is still clinging to the archaic view that any investment whose principal can go down is unduly risky."

The Labor Department is on the case. "We are looking at revising the regulation to encourage automatic enrollment and appropriate default investments," says Ann Combs, assistant secretary for employee benefits security. "The difficult technical issue is to define the investment objectives of a default option without putting into the regulation specific investment products. Our hope is to have a proposed regulation out by year end. It is a priority for us."

Just in case the bureaucracy moves too slowly, Congress is weighing bills to force action so that policy makers, scholars, employers and columnists can mm to harder issues in the effort to get Americans to save more.

Making a Choice

Where U.S. employers invest defined-contribution money if employees don't specify a choice:

Money-market fund or guaranteed-investment contract	80%
Balanced/Life cycle fund	16%
Other	4%

Source: Vanguard Group, Dec. 2004 survey of 1,694 plans

NOTES:

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WELCOME TO H&R BLOCK

Thank you for coming to H&R Block for professional tax services. This Client Service Agreement ("CSA") will tell you what you can expect from us, and what we need from you to deliver the great service you expect from H&R Block. The signature you provide at the end will be a record of your understanding and your decisions.

PROFESSIONAL TAX SERVICES

H&R Block services are delivered to you for the limited purpose of preparing your tax return(s) and providing related products, but we are not acting as a fiduciary on your behalf. We will prepare your federal, state and/or local tax return(s) using systems we have designed to deliver professional tax services at a reasonable price. We will (1) interview you to learn details of your financial life that affect your taxes, and (2) we will ask you for documents such as your W-2 statement(s) that help us accurately record your income, credits and deductions. You agree to (1) provide this information to the best of your ability and (2) return to us for an amended return if you later remember or discover information that could affect the accuracy of the return we prepared. If your amendment requires an additional form or line item that was not part of the original return, there may be a charge for this service.

THE BLOCK ADVANTAGE: PERSONALIZED INFORMATION & SUGGESTIONS

As part of tax preparation, we will give you useful tax and tax-related financial information and suggestions based on what you have told us. We may call this "advice" or "the Block Advantage" or both, and you understand that this is general information based solely on what you have told us about yourself. It should not take the place of guidance from specialists and experts such as attorneys and investment advisors, and it should be considered along with information and opinions you receive from those advisors.

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In addition to preparing your tax return, we will tell you about tax-related products and services that could affect the amount or handling of your current year refund or balance due, or because they could affect your future tax situation.

Tax-Advantaged Savings **Products** available through H&R Block affiliates and other providers can give you tax savings today plus savings you can use in the future for qualified purposes such as retirement or education.

Tax-Deductible Mortgage Loans. H&R Block affiliates and other providers may be able to help you own your own home, or tap the equity in your existing home to pay off other kinds of debt. This is tax-smart because mortgage interest is usually deductible, and most other kinds of debt are not.

If You Are Getting a Refund - No-Cost Options. E-filing is included in the cost of the services we provide. If we e-file your federal return, expect your refund in 8-15 days if you choose direct deposit to your bank account or within 21 days if you choose to have the IRS mail you a check. If you mail your federal return to the IRS rather than e-file (H&R Block will not mail your return for you), expect your refund in 5-8 weeks depending whether you choose direct deposit to your bank account or a check mailed from the IRS.

If You Are Getting a Refund - Bank Options (Added Cost). A Refund Anticipation Loan ("RAL") is a loan that is provided through HSBC Bank USA, N.A. ("HSBC") for the amount of your refund, minus bank and (if you choose) H&R Block fees. An "Instant Money RAL" may enable you to receive a loan check today, or a "Classic RAL" may deliver a loan check within 1-2 days. There is a \$24.95 Refund Account Fee as well as a Finance Charge for either kind of RAL, and the Finance Charge is higher for the Instant Money RAL. A Refund Anticipation Check ("RAC") delivers the amount of your tax refund, less a \$24.95 bank fee and (if you choose) your H&R Block fees, in 8-15 days. The timing of a RAC is usually the same as IRS direct deposit of your refund to your own bank account.

If You Owe the IRS a Balance. If the tax return we prepare today shows that you owe money, you may either pay the amount from your own sources, or establish a payment plan with the IRS. Or you may also obtain a revolving line of credit from HSBC Bank USA, N.A. that has an annual fee, no interest if repaid in full within 90 days, and other terms ... conditions that will be disclosed before you sign the HSBC application.

ARBITRATION

If a dispute arises between you and H&R Block, the dispute shall be settled through arbitration unless you opt-out of this arbitration provision using the process explained in bold type below. This alternative to traditional lawsuits does not necessarily require you to hire an attorney, and may cost you only \$5 to have your dispute with H&R Block decided by a third party. This third party, known as the Arbitrator, is empowered to settle the matter with the same set of remedies available in court including compensatory, statutory, and punitive damages, injunctive and other equitable relief, and attorneys' fees and costs. However, arbitration requires you waive your rights to sue H&R Block in court before a judge and jury, and to waive any right to participate in any "class action" lawsuit against H&R Block regarding any issue that could otherwise be settled by arbitration. (Note: If you are a member of the putative class in Cummins, et al., v. H&R Block, et al., Case No. 03-C-134 in the Circuit Court of Kanawha County, WV, this arbitration clause does not apply to you.)

Right to Opt-Out of This Arbitration Provision: H&R Block does not require you to accept arbitration even though you must sign this Client Service Agreement to receive service from us today. You may opt-out (reject) arbitration within the first 30 days after you sign this Agreement by calling 866-714-5502 or by sending a signed letter to H&R Block Legal Department, 4400 Main Street, Kansas City, MO 64111. The letter you send us should include your printed name, Social Security number of yourself and joint filer if any, date you were served by H&R Block in 2006, and the words "Reject Arbitration." Your telephoned or written opt-out letter will override your signature below regarding arbitration but no other provision of this document.

How Arbitration Works. If you have a complaint against H&R Block that you have been unable to solve by bringing it to the attention of the office that served you, you may contact either the American Arbitration Association ("AAA") at 335 Madison Avenue, New York, NY 10017 or the National Arbitration Forum ("NAF") at P.O. Box 50191, Minneapolis, MN 55405. Whichever organization you choose will appoint a neutral practicing attorney with more than ten years of tax law experience to hear your side and H&R Block's side of the issue, and make a decision that is binding on both you and H&R Block. The American Arbitration Association's rules of arbitration are available by mail from AAA or on the Internet at www.adr.org. The National Arbitration Forum's rules are available by mail from NAF or on the Internet at www.arbforum.com.

Arbitration Costs. You will be asked to pay a \$5 fee, and H&R Block will pay all other filing, administrative, hearing and miscellaneous arbitration expenses up to \$1,500. H&R Block may consider paying arbitration costs that exceed \$1,500 but only if you win the arbitration.

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My/our signature(s) below confirms that I/we understand and voluntarily agree to the terms of the Arbitration Provision described above, as well as all other terms, conditions and disclosures presented in this 2006 Client Service Agreement.

Client Signature _____

Tax Professional, for H&R Block Tax Services, Inc.

Date _____

Date

If you may be filing a joint return, your spouse must also sign:

Date

Client Signature