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H&R Block Inc
Corporate Headquarters
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Kansas City Missouri 64111
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James H Ingraham
Secretary and
Associate Corporate Counsel
FEB 12 11 05

February 10, 1992

FEDERAL EXPRESS

Federal Election Commission
Office of General Counsel
999 E Street, N.W.
Washington, D. C. 20463

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FEDERAL ELECTION COMMISSION
COUNSEL
SOH

ADR 1992-07

Re: H & R Block, Inc., a Missouri Corporation
The H & R Block Political Action Committee
Request for Advisory Opinion

Dear Madam or Sir:

I am Secretary and Associate Corporate Counsel of H & R Block, Inc., a Missouri corporation, and, on behalf of said corporation and its separate segregated fund, the H & R Block Political Action Committee ("BLOCKPAC"), I hereby submit a request for an advisory opinion concerning the application of the Federal Election Campaign Act of 1971, as amended, and the regulations of the Federal Election Commission to the solicitation by BLOCKPAC of contributions from the franchisees and the executive and administrative personnel of such franchisees who are affiliated with H & R Block, Inc., and its wholly-owned tax return preparation subsidiary corporations. The parent corporation and such subsidiary corporations will hereafter be referred to as "Block."

In the past, BLOCKPAC has solicited and accepted voluntary political contributions from Block's executive and administrative employees and intends to solicit Block's stockholders and the Block employees whom a separate segregated fund may solicit in accordance with 11 CFR 114.6. BLOCKPAC also intends to solicit and accept voluntary political contributions from Block's "major franchisees," "satellite franchisees," and their respective executive and administrative employees. Pursuant to 11 CFR 112.1, we respectfully request your advisory opinion as to whether BLOCKPAC may so solicit such franchisees and such franchisees' executive and administrative employees.

It is our belief that, based on Block's continuing control and direction over the business policies, practices and procedures of its major franchisees and its satellite franchisees and the nature and extent of such franchisees' contractual obligations to Block, such franchisees are affiliates of Block. As

such, we believe that BLOCKPAC may solicit and accept contributions from Block's franchisees and their executive and administrative personnel.

General Information about Block and Its Franchisees

Since 1955, H & R Block, Inc. (directly or through wholly-owned subsidiaries), has been operating offices engaged primarily in the preparation of federal, state and local income tax returns. Since 1957, Block has granted franchises to others to operate such offices in certain areas of the country. In 1965, Block determined to grant franchises only for smaller communities, generally with populations of 15,000 or less, and has referred to such franchises as "satellite franchises." Prior to 1965, Block granted franchises, known as "major franchises," for larger areas, typically larger cities, one or more counties or all or part of a state, and permitted such major franchisees to grant subfranchises within their franchise territories.

During the 1991 income tax filing season (generally January 2 through April 30), H & R Block Company-owned and franchised offices prepared approximately 12,375,000 United States income tax returns, constituting 11.7% of an Internal Revenue Service ("IRS") estimate of total U.S. individual income tax returns filed during that time period. During Block's 1991 fiscal year, Block and its franchisees operated 8,955 H & R Block offices principally in all 50 states, the District of Columbia, Canada, Australia, New Zealand and Europe. Of such offices, 4,087 were owned and operated by Block and 4,868 offices were owned and operated by franchisees. During the 1991 tax season, a total of 22 major franchisees operated 848 franchised offices and had an additional 599 subfranchised tax offices in their major franchise areas. A total of 2,133 satellite franchisees operated a total of 3,421 satellite offices (franchised directly by Block) during the 1991 tax season.

The majority of revenues generated at Company-owned and franchised offices of H & R Block comes from income tax return preparation services. Office personnel complete the required tax returns and schedules based upon information supplied by the taxpayer, sign the returns as tax preparers in the manner required by law, check the return and deliver the returns to the taxpayer for signature, filing and payment of any taxes due. All returns are guaranteed to have been prepared correctly based on the information provided by the taxpayer. As a part of Block's service, if a return is audited, a representative of the H & R Block office is to accompany the taxpayer to the appropriate IRS office to explain how the return was prepared, but not to act as the taxpayer's legal representative.

In recent years, Block and its franchisees have offered to eligible taxpayers a service consisting of the electronic fil-

ing of individual income tax returns. For an extra fee, H & R Block files tax returns electronically for both tax return preparation clients of H & R Block and persons who did not use H & R Block's tax return preparation services. Electronic filing is intended to provide assurance to a taxpayer that the return has been filed with the IRS and to reduce the amount of time required for a taxpayer to receive a tax refund. In addition, Block offices offer a refund anticipation loan service. In cooperation with four national banking institutions, electronic filing customers who meet certain eligibility criteria are offered the opportunity to apply, through the assistance of H & R Block, for loans from the banks in amounts based upon the customers' anticipated federal income tax refunds. Within a few days after the date of filing, a check in the amount of the loan, less a small transaction fee (retained by the bank), is received by the refund anticipation loan customer. The IRS then deposits the participating customer's actual federal income tax refund into a designated account at the bank in order for the loan to be repaid. In some instances, H & R Block's tax return preparation fee for the return involved and H & R Block's electronic filing fee may be withheld from the loan proceeds and paid by the bank to Block or the franchisee involved.

Block and some of its franchisees also conduct instructional courses to train others in the preparation of income tax returns. Such courses are conducted principally in the months of September, October and November for individuals who desire to learn how to prepare their own income tax returns or who wish to prepare income tax returns for others.

Franchise Agreements

Block utilizes a standard form of Major Franchise Agreement and a standard form of Satellite Franchise Agreement in connection with the granting of H & R Block franchises. Copies of these standard forms are enclosed for your reference. Each Agreement contains a grant by Block to the franchisee of the exclusive right to use the name and service mark "H & R Block" and any other name or service mark that may be adopted by Block or registered by Block under appropriate service mark or trademark registration laws for use in the operation of an income tax return preparation service and the performance of related services from a location or locations within the specified franchise territory. Under both forms of agreement, the franchisee must operate its business of preparing income tax returns and performing related services under Block's licensed marks. The franchisee is prohibited from using any other name or marks in conducting such business. Block's licensed marks are to be used by the franchisee only in connection with the franchisee's income tax return preparation service and may not be used for any other purpose without the written permission of Block.

Under the Major Franchise Agreement and the Satellite Franchise Agreement, the franchisee must perform all tax return preparation services and related services within the franchise territory specified in the Franchise Agreement and the franchisee must limit its advertising to media originating from within the franchise territory. Under both forms of agreement, the franchisee agrees that during the term of the agreement it will not compete with Block or its other franchisees in the preparation of income tax returns. In the Major Franchise Agreement, the covenant against competition is not limited to competition within a specified area. In the Satellite Franchise Agreement, the covenant against competition during the term of the Agreement is limited to an area which is in or within 45 miles of the franchise territory, in the franchise territory granted to any other Block franchisee or within 45 miles of any office operated by Block. Both forms of franchise agreement also contain a noncompetition covenant for a period following the termination or transfer of the agreement. Both forms of franchise agreement also contain covenants by the franchisee that it will not, during the term of the agreement and afterward (limited to three years afterward in the Major Franchise Agreement) divulge or use for the benefit of any person, association or corporation outside the H & R Block organization, any information or knowledge concerning customers, the methods, promotion, advertising or any other systems or methods of operation of Block's business or that of Block's franchisees, which the franchisee may have acquired by virtue of its operations under the agreement. Franchisees are prohibited under both agreements from doing any deliberate act prejudicial or injurious to the goodwill or name of Block. Under the Satellite Franchise Agreement, the franchisee must have each individual employed to prepare tax returns or to supervise the preparation of tax returns to execute an agreement, in the form prescribed by Block, containing substantially the same covenants against competition and disclosure as are contained in the Satellite Franchise Agreement.

Electronic Filing Agreements

Block has developed a system for the electronic filing of income tax returns with the IRS and some state tax authorities. Block makes such system available to its major and satellite franchisees and a substantial majority of such franchisees utilize such system in accordance with either a Major Franchise Electronic Filing Agreement or a Satellite Franchise Electronic Filing Agreement with Block. In these electronic filing agreements, copies of which are enclosed, Block authorizes franchisees to use Block's electronic filing system to provide the electronic filing service to the franchisees' customers within their respective franchise territories. In such agreements, the franchisee agrees that the electronic filing service constitutes a related service, as that term is defined in the franchise agreement and that the provisions of the franchise agree-

ment pertain to the electronic filing service provided under the applicable franchise electronic filing agreement. The franchisee agrees to use the names and logos selected by Block for use by Block and the franchisee in describing and marketing the electronic filing service and the franchisee is prohibited from using any other name or logo in connection with such service without the express written consent of Block. The Major Franchise Electronic Filing Agreement and the Satellite Franchise Electronic Filing Agreement contain provisions relating to the grant by Block of a license to use software and a user's guide furnished by Block in connection with the electronic filing service and contains restrictions on Franchisee's use of these materials and the disclosure of confidential information relating thereto. Under both forms of electronic filing agreement, the franchisee is prohibited from utilizing any system other than Block's system in connection with providing an electronic filing service to the franchisee's customers. Major franchisees are permitted, during the term of the Major Franchise Electronic Filing Service Agreement, to test other electronic filing service systems upon obtaining Block's written permission.

Assignability of Agreements

Under the Major Franchise Agreement and the Satellite Franchise Agreement, the franchisee's ability to transfer any interest under such Agreement is expressly subject to Block's right to approve the proposed transferee in writing. Block agrees that it will not arbitrarily or unreasonably exercise its right to approve or disapprove any proposed transfer and any disapproval by Block must be for material and substantial reasons. Under both Agreements, the franchisee must submit to Block sufficient information about the proposed transfer and the proposed transferee upon which Block shall base its decision to approve or disapprove the transfer. An exception to the transfer restrictions applies under both Agreements to a transfer by an individual franchisee to a corporation or partnership controlled by such franchisee. The franchisee must provide Block with notice of any transfer to a controlled entity and the individual franchisee remains personally liable for the obligations of any such controlled entity to Block until another principal is appointed and approved by Block or the franchise agreement is transferred or assigned to a transferee approved by Block. Any change in principal of a controlled entity is subject to Block's approval.

Upon the death or incapacity of an individual franchisee, the franchisee or its legal representative must provide Block with information as to the actions being taken to prevent or minimize the interruption of service. Within 180 days after the death or incapacity of the franchisee, the franchisee or the legal representative of the franchisee must commence action to transfer the franchise as permitted by the franchise agree-

ment. Upon receipt of Block's approval of any such transfer, the franchisee or the legal representative must complete the transfer within one year after the date of death or incapacity.

Neither the Major Franchise Electronic Filing Agreement nor the Satellite Franchise Electronic Filing Agreement may be assigned or transferred by the franchisee without the prior written consent of Block.

Termination of Agreements

Each of the Major Franchise Agreement and the Satellite Franchise Agreement has an initial term of five years from the date of its execution and the term renews automatically for successive periods of five years each, unless mutually terminated or terminated pursuant to other provisions of the franchise agreement. Under the Satellite Franchise Agreement, the franchisee may terminate the Agreement effective at the end of the initial term or any renewal term, but only upon at least 120 days' written notice to Block prior to the end of such term.

Under the Major Franchise Agreement, any material and substantial breach of its terms by the franchisee constitutes grounds for its termination by Block. Prior to such termination, Block must give the franchisee written notice of the alleged breach and the franchisee may, within 30 days following the receipt of such notice, except in the case of a breach for nonpayment of a franchise royalty, request arbitration of such alleged breach in accordance with the arbitration provisions of the Agreement, if the breach has not already been corrected. If the major franchisee attempts to correct the alleged breach within the 30-day period and notifies Block of such correction, Block must advise the franchisee within ten days thereafter whether the alleged breach has been corrected. If Block contends that the breach has not been corrected, the franchisee has 30 days thereafter to request arbitration. If the franchisee's breach is the nonpayment of a franchise royalty and such payment continues for 30 days following receipt by the franchisee of notice of nonpayment, the Agreement may be cancelled and terminated by Block without arbitration and without further notice, provided that there is no bona fide dispute concerning the amount of the unpaid franchise royalty or the franchisee's payment thereof.

Block may terminate a Satellite Franchise Agreement for a material and substantial breach of the terms of the Satellite Franchise Agreement or the Satellite Franchise Electronic Filing Agreement or other good cause including, without limitation, fraud; the franchisee's failure to pay any federal, state or local tax when due; the franchisee's conviction of, or admission of, a violation of any federal, state or local statute relating to the conduct of the franchisee's business; the franchisee's

conviction of any felony; or the franchisee's bankruptcy or the appointment of a trustee for the benefit of creditors. The franchisee has 15 days after Block gives notice of an alleged breach to cure the alleged breach, except that no notice or opportunity to cure is required if the breach is one that cannot be cured including, without limitation, competition in violation of the provisions of the Satellite Franchise Agreement, notification of more than five alleged breaches during a 12-month period or conviction or admission of the specified violations of law. If the alleged breach is not cured within any time available for its cure, Block may terminate the Satellite Franchise Agreement by giving notice of termination. If Block gives notice of termination, the franchisee may, within 15 days after such notice, request arbitration if the breach is arbitrable under the arbitration provisions of the Satellite Franchise Agreement.

Each of the Major Franchise Electronic Filing Agreement and the Satellite Franchise Electronic Filing Agreement terminates immediately upon the termination of the underlying franchise agreement. The electronic filing agreements may also be terminated pursuant to a written mutual termination agreement, upon refusal by the IRS to accept returns from Block or the franchisee and in the event of the franchisee's material and substantial breach of the terms of the electronic filing agreement. In the case of an alleged breach of the terms of the electronic filing agreement, Block must provide the franchisee with written notice of the breach and if the breach is one that is curable, the franchisee has 15 days from the date such notice is given to cure the breach. If the breach is one that is not curable, the Major Franchise Electronic Filing Agreement or the Satellite Franchise Electronic Filing Agreement terminates immediately upon the giving of notice of breach.

The term of the Major Franchise Electronic Filing Agreement commences on the date of its execution and ends on the following August 31. There are no renewal provisions. The initial term of the Satellite Franchise Electronic Filing Agreement commences on the later of the September 1 in the year of execution or the date of such execution and ends on the following August 31. The Satellite Franchise Electronic Filing Agreement automatically renews for successive renewal terms of one year each on each September 1. Either party may terminate the Satellite Franchise Electronic Filing Agreement by written notice at least 60 days prior to the expiration of the initial term or any renewal term.

Training, Instruction and Assistance Provided by Block

Under Section 3 of the Major Franchise Agreement, Block agrees to explain and instruct the major franchisee in the operational details of the income tax return preparation busi-

ness, to furnish guidelines in the selection and location of an office or offices, to furnish information necessary to establish an operating budget, to design forms to be used by the franchisee in the preparation of tax returns and advise as to quantities needed, to make available training materials for use by the franchisee in training employees in the preparation of tax returns, and, if requested, to assist in handling of any managerial or other problems as may arise during the term of the Agreement.

Under the Satellite Franchise Agreement, Block agrees to advise and instruct the satellite franchise owner in the operational aspects of the franchisee's business, advise in the selection and location of an office or offices, furnish information necessary to establish an operating budget, design forms "which shall be used" by the franchisee in its tax preparation business and advise as to quantities needed, initially train the franchisee in the preparation of tax returns and thereafter make training materials available to the franchisee, and furnish all income tax forms, Block internal reporting forms and all other specialized forms, as well as designated equipment specified in the H & R Block Policy and Procedure Manual and deemed necessary from time to time by Block for the franchisee to efficiently operate under the franchise agreement.

Under both the Major Franchise Agreement and the Satellite Franchise Agreement, Block agrees to offer for sale to the franchisee certain office supplies, forms, machines, equipment and other items determined necessary and proper to conduct the franchisee's business. The franchisee is not required to purchase or lease any supplies or equipment from Block or from suppliers approved by Block. However, both the Major Franchise Agreement and the Satellite Franchise Agreement provide that supplies, forms, machines and equipment purchased by the franchisee must be of a quality at least equal to, and the general appearance of such items must be similar to, comparable items being offered for sale to the franchisee by Block in Block's catalog.

In accordance with the above provisions, Block provides major franchise owners and satellite franchise owners with extensive instruction and advice concerning the management of their respective businesses. Satellite franchise owners are assigned to a specific satellite director/district manager of Block who is located in the general area of the satellite franchise territory. Major franchisees are generally assigned to a specific Block region managed by a regional director (one management level above a district manager). As new major franchises have not been granted by Block for many years, initial training of major franchisees took place long ago and is no longer necessary. As soon as possible after a Satellite Franchise Agreement is signed by a new satellite franchisee, the applicable satellite director will train the new satellite owner

concerning the use of H & R Block recordkeeping forms and Block's methods of conducting business. Satellite directors continue to work with new and old satellite franchise owners alike throughout the year, through frequent visits, telephone calls and satellite complex meetings, to help them make their businesses as successful as possible. Regional directors also hold a regional convention every year for satellite franchise owners, at which time management training is conducted. Satellite franchise owners may also be visited on an intermittent basis by auditors from Block's Internal Audit Department in order to assure compliance by satellite franchise owners with Block's policies and procedures and the Satellite Franchise Agreement.

Major franchisees or their representatives are generally visited on an intermittent basis by regional directors of Block, as well as by vice presidents of the Company responsible for the operations of a geographical division of Block's Tax Operations Division. In addition, auditors from Block's Internal Audit Department intermittently visit major franchise offices to assure compliance with the requisite policies and procedures and the Major Franchise Agreement. Major franchisees or their representatives also attend operations meetings conducted by Block at its Corporate Headquarters in Kansas City or elsewhere at least twice annually. Block also sponsors a Major Franchise Meeting each fall in Kansas City. Major franchisees and their representatives also have received in recent years substantial training in the operation of Block's electronic filing system and its automated tax return preparation program in sessions conducted in Kansas City.

In addition to the initial and ongoing training programs for its major franchisees and satellite franchisees and their respective managers noted above, Block provides all of its franchisees with copies of the multi-volume H & R Block Policy and Procedure Manual which contains policies, procedures, guidelines and standards to be followed by all Block offices in the operation of a tax return preparation business. The Manual is discussed further below. Tax course materials for both courses offered to the general public and courses made available to employees of Block and its franchisees only are updated annually by Block and such materials are made available to franchisees for the ongoing training of their employees. Block also publishes and makes available to its franchisees pre-work training materials to be utilized by franchisees in training employees prior to each tax season. Block's Tax Training Department prepares tax news updates to be provided to employees of Block and the franchisees to keep all H & R Block managers and tax preparers abreast of new developments in the tax laws and forms. Major franchisees, satellite franchisees and Block managers are provided with Block's publication entitled "The Block Connection" on a weekly basis during the tax season and on a monthly basis during the off season. "The Block Connection" provides a vari-

ety of information relating to tax office procedures, training, marketing, market research and other items applicable to all tax offices, as well as specific information in those areas applicable only to satellite franchisees. Block's satellite directors also distribute information to their satellites in periodic publications. Major franchisees are provided with Block's "Regional Director Bulletin" containing policy, procedural, marketing and managerial information directed at Block's regional directors. Finally, major franchisees and satellite franchisees equipped with computers and utilizing Block's system for electronic filing receive daily communications from Block through its computerized E-mail system. Satellite franchisees not equipped with computers, but utilizing Block's system for electronic filing, receive paper copies of all E-mail transmissions.

In connection with its electronic filing service and its test of automated tax return preparation, Block provides extensive training for its satellite franchisees through its satellite directors. As noted above, major franchisees receive their training in these areas at Block's Corporate Headquarters. Franchisees are then responsible for training their own employees in the use of these systems. Software support for these programs is provided to satellite franchisees through their satellite directors. Such support is provided to major franchisees through Block's Corporate Headquarters. On-site software support is provided by Block to both major and satellite franchisees when determined necessary by Block. Block provides its major and satellite franchisees with user's guides in connection with any software provided to franchisees, as well as other training and operation materials necessary for the successful operation of Block's systems. Software updates, new instructions and other information regarding these systems are provided to participating franchisees by E-mail and other computer transmissions.

Compliance with Block Policies and Procedures

The Major Franchise Agreement requires the major franchisee to prepare quality tax returns, the same to be accurately completed in accordance with applicable laws and to be checked thoroughly. The Agreement also requires the major franchisee to keep specified office hours during the tax season, to employ and train sufficient personnel to accommodate all customers without undue delay, to maintain a neat and orderly office and, as noted above, to procure supplies and equipment comparable to that offered by Block in its catalog of supplies. The Major Franchise Agreement also requires the major franchisee to manage and conduct its business in reasonable accordance with the rules and regulations set forth in the H & R Block Policy and Procedure Manual and all amendments thereto. Certain provisions of the Manual are deemed mandatory for major franchisees

and others are deemed advisory. For major franchisees, material and substantial violations of such mandatory provisions of the Manual constitute breaches of the Major Franchise Agreement subject to the termination provisions summarized above.

Major franchisees utilizing Block's system for electronic filing (consisting of all but three major franchisees), are required by the Major Franchise Electronic Filing Agreement to comply with all provisions contained therein, with all IRS specifications relating to electronic filing and the procedures, guidelines and restrictions adopted by Block for the conduct of Block's electronic filing service and the use of Block's system designed for such service. In connection with refund anticipation loans to be provided as a part of the electronic filing service, the franchisee must also comply with procedures, guidelines and restrictions relating to refund anticipation loan applications and refund anticipation loan disbursement checks.

The standards, policies and procedures imposed by Block upon its satellite franchisees are even more stringent than those imposed upon major franchise owners. The Satellite Franchise Agreement not only requires the satellite franchisee to prepare accurate tax returns in accordance with all laws, to check each return thoroughly, to employ sufficient personnel with current tax return training to accommodate all clients without undue delay and within any time commitments made to such clients, to maintain minimum office hours during the tax season and during the off season, to maintain a neat and orderly office or offices with sufficient office space and, as noted above, to procure supplies and equipment comparable in quality and appearance with that offered by Block, but also requires the satellite franchisee to resolve client complaints in a timely manner, pay penalties and interest in accordance with Block's standard guarantee, pay all operational expenses in a timely manner, and maintain public liability insurance and errors and omissions insurance. The satellite franchisee is prohibited under the Satellite Franchise Agreement from conducting any business or activities from the franchisee's tax return preparation office or offices unless the Satellite Franchise Agreement permits the franchisee to continue to conduct a business or activity in any such office that was being conducted at such office on the date of the Satellite Franchise Agreement. In addition to compliance with all laws in the operation of the franchisee's business, the franchisee is required by the Satellite Franchise Agreement to timely and properly file all business and personal tax returns and pay all taxes due. In addition to those matters specified in the Satellite Franchise Agreement, such Agreement requires the satellite franchisee to manage and conduct the business in accordance with the rules and regulations specified as applicable to the franchisee in the H & R Block Policy and Procedure Manual, as the same may be amended from time to time. Such Manual items include pro-

visions relating to the daily operation of a tax return preparation business, recordkeeping and reporting requirements, advertising and promotion procedures, personnel matters, procedures relating to securing supplies, client relations matters, office requirements and a variety of other standards, policies, procedures and guidelines designed for the uniform and efficient operation of a tax operation business. A material and substantial violation of the policies and procedures specifically set forth in the Satellite Franchise Agreement or those applicable to a satellite franchisee contained in the Policy and Procedure Manual constitutes a breach of the Satellite Franchise Agreement and grounds for its termination.

Like the Major Franchise Electronic Filing Agreement, the Satellite Franchise Electronic Filing Agreement requires the franchisee to comply with all provisions of such electronic filing agreement, all IRS specifications applicable to electronic filing and the procedures, guidelines and restrictions adopted by Block for the franchisee's conduct of the electronic filing service and the franchisee's use of Block's system pursuant to which such service is provided. The satellite franchisee must also comply with all procedures, guidelines and restrictions relating to refund anticipation loans and the care, custody, handling, issuance and delivery of refund anticipation loan disbursement checks.

Advertising and Promotion

Major franchise owners must incur the expense of all advertising and promotions in media originating within their respective franchise territories. In addition, major franchisees and Block share in the expense of national network television advertising. In all of its advertising and promotion efforts, the Policy and Procedure Manual requires the major franchisee to utilize advertising and promotional materials either prepared by Block or submitted by the franchisee to Block and approved by Block. In accordance with the Major Franchise Agreement and the Policy and Procedure Manual, Block makes available to a major franchisee advertising, promotion and display materials for purchase by the major franchisee. The Major Franchise Electronic Filing Agreement contains additional restrictions imposed upon a major franchisee in connection with the advertisement and promotion of its electronic filing service.

The Satellite Franchise Agreement provides that Block will furnish for the franchisee, at Block's expense, all promotion and advertising deemed advisable by Block, provided that the franchisee will bear the cost of any discount granted pursuant to any discount program which is promoted by Block and in which the franchisee participates. A satellite franchisee may choose to provide additional advertising for its business, but such additional advertising is at the franchisee's expense and any

advertising initiated by a satellite franchisee must have Block's prior approval. The Satellite Franchise Electronic Filing Agreement contains additional restrictions relating to a satellite franchisee's advertising and promotion of its electronic filing service.

Summary of Law and Statement of Position

Previous Advisory Opinions relating to the ability of a separate segregated fund to solicit and accept voluntary contributions from franchisees and their executive and administrative employees focus upon 11 CFR 114.5(g)(1), which provides that a corporation may "solicit the executive or administrative personnel of its subsidiaries, branches, divisions, and affiliates and their families." See, for example, Advisory Opinions 1988-46, 1985-7, 1983-48, 1979-38 and 1978-61, copies of which are enclosed for your reference. Those Advisory Opinions indicate that Block and its separate segregated fund may solicit Block's franchisees and the franchisees' executive or administrative personnel only if such franchisees are "affiliates" of Block. In deciding this issue, the Commission has followed the indicia of affiliation that are applied in determining the affiliated status of political committees for purposes of the anti-proliferation rule in 2 U.S.C. §441a(a)(5). Those indicia include (1) provisions of by-laws, constitutions or other documents by which one entity has the authority, power or ability to direct another entity and (2) the authority, power or ability to hire, appoint, discipline, discharge, demote or remove or otherwise influence the decision of the officers or members or an entity. In franchise cases, the Commission has focused upon the franchisor's control and direction over the business policies, practices and procedures of the franchisees, as well as the nature and extent of the franchisees' contractual obligations to the franchisor. In the restaurant franchise matters considered by the Commission (Advisory Opinions 1988-46, 1979-38 and 1978-61) in which the Commission has held that the corporations there involved and their separate segregated funds may solicit contributions from the franchisees and/or their executive and administrative personnel, the Commission has focused primarily upon compliance with policy and procedure manual requirements, and contractual provisions relating to the termination of the franchise agreement or restrictions upon the transferability of the franchise. In Advisory Opinion 1988-46, the Commission also focused upon the licensor's covenant to provide assistance and advice in the promotion of the general business welfare of each licensee, ongoing training programs for the franchisor's licensees, their managers and their staffs, the provision by the licensor through bulletins and newsletters of marketing research developments and other relevant information and the fact that the licensor helped coordinate advertising.

In a decision in which the Commission determined that affiliation did not exist (Advisory Opinion 1985-7), the Commission determined that the degree of influence exercised by a brewer over its wholesalers was insufficient to meet the standards set forth in the Commission's previous opinions regarding franchisees. The Commission noted that the relationship of the brewer and its wholesalers "reflects more the characteristics of a typical business contract between two independent and separate entities, as distinguished from the relationship created where one entity exercised pervasive supervision and direction over the daily operations and business policies of another entity such as a franchisee." (Emphasis added.)

It is the position of Block and its separate segregated fund, BLOCKPAC, that the degree of influence exercised by Block over its major franchisees and its satellite franchisees is more than sufficient to meet the standards set forth in the Commission's previous opinions relating to franchisees and that both Block's major franchisees and Block's satellite franchisees are "affiliates" of Block under 11 CFR 114.5(g) (1).

The discussion of the relationships between Block and its major franchisees and Block and its satellite franchisees, above, clearly indicates that Block has continuing control and direction over the business policies, practices and procedures of all of its franchisees and, through its various franchise agreements, imposes upon the franchisees significant and substantial obligations to Block. Block has more than a limited degree of influence over the management of its franchisees. Block provides extensive initial and ongoing training and assistance to its franchisees and their managers not only in the managerial and operational aspects of an income tax return preparation business, but also in connection with income tax law and forms and new developments such as electronic filing and the computerized preparation of income tax returns. Block is in constant communication with each of its franchisees through various publications, computer transmissions, operations meetings, training sessions and visits by Corporate and field personnel of Block to franchised offices. Because of the size and nature of satellite franchise operations and their general need for greater assistance, closer supervision and support is provided by Block to its satellite franchisees. In order to maintain the reputation of its name and business, the quality of the services which Block and its affiliates provide and the uniform and efficient operation of a tax return preparation business, Block imposes many policies, procedures and restrictions upon major franchisees and satellite franchisees in connection with the use of Block's name and marks, the advertising of the franchisees' tax return preparation business and the daily operation of the franchise business through its franchise agreements, franchise electronic filing agreements and Block's Policy and Procedure Manual. Policies relating to the accurate

preparation of returns, hours of operation, maintenance and condition of offices, quality and appearance of supplies and equipment and employment of sufficient well-trained personnel are mandated by Block in anticipation of the needs and desires of income tax return preparation customers and the efficient and successful operation of a tax return preparation business.

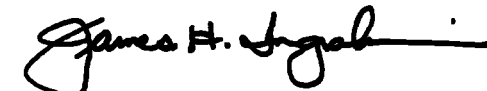
In addition to the obligations imposed upon Block's franchisees relating to the use of Block's trademarks and the operation of their tax return preparation businesses, the franchise agreements here involved impose stringent restrictions on the transferability of the franchises. As was the case in the advisory opinions involving restaurant franchises, Block's prior written approval is necessary for any assignment or transfer of any interest in the franchise both during the term of the franchise agreement and after the franchisee's death. Block also has the right to approve any change in principals of franchises that are owned by controlled corporations or controlled partnerships.

Finally, under the franchise agreements here involved, violations of policy and procedural obligations of the franchisee and other material and substantial breaches of the contract provisions constitute grounds for the termination of the franchise agreements by Block.

We submit that the supervision and direction by Block over the operations and policies of its major franchisees and satellite franchisees indicates that such franchisees are affiliates of Block such that BLOCKPAC may solicit and accept voluntary political contributions from Block's noncorporate major franchisees, Block's noncorporate satellite franchisees and the executive and administrative employees of all of its major and satellite franchisees.

If you need any additional information, please feel free to contact the undersigned at your convenience.

Respectfully submitted,



James H. Ingraham

JHI/sw
Enclosures

MAJOR
FRANCHISE AGREEMENT

THIS AGREEMENT, entered into this _____ day of _____, 197 ,
between H & R BLOCK, INC., a Missouri corporation ("Block"),
and

(Name)

(Address)

("Franchisee").

W I T N E S S E T H :

WHEREAS, Block is engaged in the business of granting franchises to operate a business dealing with the preparation of tax returns and the performance of related services; and

WHEREAS, Franchisee is desirous of obtaining such a franchise;

NOW, THEREFORE, in consideration of the covenants and agreements hereinafter set forth, it is mutually agreed as follows:

1. GRANT OF FRANCHISE.

Block hereby grants to Franchisee the exclusive right to use the name and service mark "H & R BLOCK" (and the service marks "THE INCOME TAX PEOPLE", "AMERICA'S LARGEST TAX SERVICE", "EXECUTIVE TAX SERVICE", "NATION'S LARGEST TAX SERVICE", and any other name or service mark that may be adopted by Block or registered by Block under appropriate service mark or trademark registration laws for use in the business of preparing tax returns and performing "related services") in connection with Franchisee's business of preparing income tax returns and performing related services at or from a location or locations within the following territory:

(City or County)

(State)

(the "franchise territory"); but nothing herein shall prohibit Franchisee from performing services covered by this Agreement at said location(s) for any person or firm residing outside the franchise territory, or from advertising or promoting Franchisee's said location(s) in media which may extend beyond the franchise territory. As used in this Agreement, the term "related services" means those products or services instituted, organized, sponsored or promoted by Block that deal with the preparation of income tax returns, such as income tax return preparation schools or income tax study courses, income tax workbooks and other similar products or services directly used in connection with the business of preparing income tax returns. Any non-tax return preparation related activities even though conducted under the corporate name of H & R Block shall not be considered "related services."

2. BLOCK'S COVENANT NOT TO COMPETE.

Block covenants not to compete with Franchisee, directly or indirectly, in the preparation of tax returns or performance of related services within the franchise territory. If in any 12-month period ended April 30, (a "payment year"), other than the 12-month period ended on April 30 immediately prior to the date of this Agreement, related services are performed by Block within the franchise territory, Franchisee's sole remedy shall be the right to receive from Block an amount equal to 55% of the gross receipts from the performance of such related services by Block in the franchise territory for such payment year. Such amounts paid by Block shall be included in Franchisee's gross receipts from the preparation of income tax returns and the performance of related services, and shall be subject to the franchise royalties provided in paragraph 10. (To assist Block in determining whether a related service is being performed by it in the franchise territory, Franchisee shall advise Block of all of the zip code designations within the franchise territory.) The parties recognize that in some instances they may be unable to determine the extent to which related services are performed by Block in the franchise territory. (For example, at the date of this Agreement an H & R Block income tax workbook is being distributed in many states and, because Block has no records to identify the exact point of each sale, the amounts, if any, to which each franchisee may be entitled cannot be determined.) In such circumstances, where the amount to be paid to all "Major Franchisees" cannot be determined, the amount to be paid to Franchisee shall be computed by dividing the "gross volume of all major franchisees" for the payment year by the "H & R Block gross volume" for the same period. Fifty-five percent of the quotient thus obtained shall be multiplied by total royalties and receipts received by Block in the payment year for its performance of the related service for which Franchisee's share cannot be determined. Distribution to Franchisee of the result obtained shall be in the ratio that "Franchisee's gross volume" for the payment year bears to the gross volume of all major franchisees for such year. Payments by Block to Franchisee of amounts due under the provisions of this paragraph shall be paid within 180 days after the end of the payment year.

For the purposes of the above paragraph "major franchisee" means any franchisee operating under a Major Franchise Agreement such as this Agreement which is dated subsequent to August 31, 1973; "gross volume of all major franchisees" means gross dollar volume of all major franchisees from income tax return preparation and related services, including any monies received pursuant to this paragraph and specifically upon which franchise royalties would be due; "H & R Block gross volume" means gross dollar volume from income tax return preparation and related services of Block and gross dollar volume of all of its franchisees (whether satellite, major or otherwise) in the United States, but shall not include revenues from any other source, such as interest, dividends, capital gains, franchise royalty payments from franchisees, or royalties or revenues from any business or activity which is unrelated to the income tax return preparation business; and "Franchisee's gross volume" means gross dollar volume of Franchisee from income tax return preparation and related services, including any monies received pursuant to this paragraph and upon which franchise royalties would be due. Any non-tax return preparation activity or business, or non-related service, performed by Block, or by or through any subsidiary or affiliate of Block, even though conducted under the name of H & R BLOCK, shall not be subject to any of the provisions of this paragraph or this Agreement, and Franchisee hereby acknowledges that it has and shall have no interest whatever therein.

3. INSTRUCTION AND OTHER ASSISTANCE.

Block agrees to explain and instruct Franchisee in the operational details of the income tax return preparation business, to furnish guidelines in the selection and location of an office or offices, to furnish information necessary to establish an operating budget, to design forms to be used by Franchisee in the preparation of tax

returns and advise as to quantities needed, to make available training materials for use by Franchisee in training employees in the preparation of tax returns, and, if requested, to assist in handling of any managerial or other problems as may arise during the term of this Agreement.

4. OFFER TO SELL SUPPLIES, ETC.

Block agrees to offer for sale at reasonable and competitive prices to Franchisee, office supplies, forms, advertising and display materials, mats, machines, equipment and such other items as may be necessary and proper to conduct the business of tax return preparation. Block shall supply Franchisee supply order forms and prices to be charged as early as practicable prior to the order date, but not less than 30 days on the annual initial order. If certain items have not been priced at the order date, then the price to be charged will be furnished Franchisee at least 10 days prior to shipment and if such price is not agreeable, Franchisee may cancel that item within five days after receipt of notice of such price. It is expressly agreed that Franchisee may purchase any or all items needed from any source without approval from Block provided the quality of any such item is at least equal to, and the general appearance of it is similar to, the comparable item being offered by Block in its catalog of supplies then in effect and in the hands of Franchisee.

5. RIGHT TO ADDITIONAL TERRITORY.

Franchisee shall have the right to obtain a franchise for any city or county (an "additional territory") in which Franchisee solicits business or to which Franchisee's advertising extends (such additional franchise to contain the same terms and conditions as provided herein, except that the franchise royalty thereunder shall be equivalent to the franchise royalty then being offered by Block to prospective franchisees for comparable territories but not to exceed a net of 10% after deduction of the allowed discount of 10 percentage points), provided that the distance between the franchise territory and such additional territory (that is, the distance between (i) the office location in the franchise territory nearest the proposed initial office location in the additional territory and (ii) such proposed office) is less than the distance between such proposed office and any then "existing owned or franchised H & R Block office" location and provided further, the distance between any proposed office and any existing owned or franchised H & R Block Office shall not be less than 10 miles (the term "existing owned or franchise H & R Block office" to include and refer to any office operated during the immediately preceding tax season whether or not operated during the off-season) but in no event shall any such franchise include or cover any part of a city or county then under franchise to an H & R BLOCK franchisee. If Block in good faith proposes to establish a company-owned office(s) in, or issue to a third party a franchise for, a city or county to which Franchisee would have the right (as set forth above) to obtain a franchise, Block shall first give Franchisee notice thereof and Franchisee shall have a period of 45 days after the giving of such notice to obtain (by executing and delivering to Block a franchise agreement covering such city or county) a franchise for such city or county; otherwise, the right to obtain a franchise for such city or county by Franchisee shall be deemed abandoned. For purposes of this paragraph the above mentioned third party (i) cannot be an existing franchisee of Block (or a corporation having a shareholder who is an existing franchisee of Block) if such franchisee had an H & R BLOCK franchise agreement dated prior to 1965 which provided for a franchise fee of 5% or less, and (ii) cannot be a subfranchisee or satellite of another franchisee.

6. ACCEPTANCE OF FRANCHISE AND MANNER OF USE OF NAME.

Franchisee hereby accepts the franchise granted hereunder and agrees to operate his business of preparing tax returns and performing related services under the name and marks referred to in paragraph 1 hereof (the "licensed marks"). Franchisee expressly acknowledges that the use of any other name or marks in conducting such business of this franchise is strictly prohibited, and that Franchisee shall not permit the licensed marks, or any substantially similar style or spelling thereof, to be used for any other purpose, including but not limited to the formation of corporations,

partnerships, business associations or any other form of business organizations, without the express written permission of Block.

7. FRANCHISEE'S COVENANT NOT TO COMPETE.

Franchisee covenants that (i) during the term hereof he will not compete, directly or indirectly, whether as an owner, stockholder, partner, officer, director or employee, with Block or Block's franchisees in the business of preparing tax returns or performing related services, and (ii) for a period of three years after the termination, or the transfer or other disposition of this franchise, he will not so compete as aforesaid within 100 miles of the franchise territory. Franchisee further covenants that during the term of this Agreement and for a term of three years after the termination or the transfer or other disposition of this franchise, he will not divulge to or use for the benefit of any person, association or corporation outside of the H & R BLOCK organization, any information or knowledge concerning customers, the methods, promotion, advertising or any other systems or methods of operation of Block's business or that of Block's franchisees which Franchisee may have acquired by virtue of his operations under this Agreement, nor will Franchisee do any deliberate act prejudicial or injurious to the goodwill or name of Block. Information furnished to employees shall be reasonably limited to that which directly relates to such employee's duties and assists in the proper performance of such duties. This Agreement is entered into between the parties hereto with the full knowledge of its nature and extent and agreed to by the Franchisee and the Franchisee hereby acknowledges that the qualifications for a franchise by Block are special, unique and extraordinary, and that this Agreement would not be entered into by Block except upon condition that such restrictive covenants be embodied herein and as such be enforceable, in the event of a breach by Franchisee, by injunctive relief, provided that the expenses of instituting such legal action by Block shall not be a liability of Franchisee unless so ordered by court decision.

8. FRANCHISEE'S CONDUCT OF BUSINESS.

To the best of his ability, Franchisee shall prepare quality returns, the same to be accurately completed in accordance with Federal, state and local laws and checked thoroughly, shall keep office hours from 9AM to 9PM during weekdays and from 9AM to 5PM on Saturdays and Sundays during the tax season, to-wit: at least the first Monday after January 1 through the last day on which individual federal income tax returns must be filed (generally April 15) except that Sundays are optional, subject to Franchisee's conscientious objection and to local law, and, with respect to subfranchise and satellite agreements which may be operated under this Agreement, the office hours may be 9AM to 6PM Monday through Friday and 9AM to 5PM on Saturday, shall maintain a neat and orderly office or offices, shall employ and train sufficient personnel to accommodate all customers without undue delay, and shall manage and conduct the business in reasonable accordance with the rules and regulations set forth in the H & R BLOCK POLICY AND PROCEDURE MANUAL (the "Manual"), a copy of which shall be furnished to Franchisee concurrently with the execution of this Agreement, as well as all amendments thereto thereafter.

It is the express intent of both parties that the Manual and any amendments thereto shall be formulated with the intent to maintain or improve the quality of services and increase the long-range net profit potential of Block and franchisees alike. Therefore, if any current provision of the Manual, or any amendment in the future, adversely affects the long-range net profit potential of Franchisee or works any undue hardship in compliance therewith, it shall not be considered mandatory or justifying termination proceedings pursuant to paragraph 12. Neither shall any such provision be considered mandatory unless a violation thereof shall reflect adversely on the reputation, character or image of the name and service mark of H & R BLOCK, or any of the licensed marks, or the quality of the services rendered hereunder. Except as otherwise provided herein, all provisions of the Manual shall only be considered advisory in nature, including but not limited to bulletins, letters, newsletters known as "Block Insides", etc. It is expressly agreed that a violation or violations of any such mandatory provisions of the Manual by Franchisee shall not constitute a breach hereof unless same is material and substantial in nature.

9. RECEIPTS, BOOKS AND EXPENSES.

Franchisee shall furnish to Block upon request, copies of receipts of all funds received from the preparation of income tax returns and performance of related services for the prior year ended April 30th last, same to be shipped freight collect. All books and records of Franchisee pertaining to gross receipts from tax return preparation and related services shall be open to inspection by Block during regular business hours. Franchisee agrees to pay promptly all of his operational expenses in order to establish and maintain sound credit, and to protect, save and keep Block harmless and indemnify the latter against and from any and all claims, demands, losses, costs and liabilities of any kind or nature whatsoever arising out of or in connection with the franchise herein granted, not occasioned by the fault or neglect of Block.

10. ROYALTIES.

Franchisee agrees to pay Block as a franchise royalty a sum equal to _____% of Franchisee's gross receipts from the preparation of income tax returns and the performance of related services and to submit to Block reports (confirmed by affidavit, if requested by Block) of such receipts as of the 15th and last day of each month within eight days after the end of each such respective period. Payment of such royalties shall be due within 30 days after the close of each reporting term; provided, however, that if such payment is made within eight days after a report period and if all previous payments have been made, or a bona fide dispute has arisen as provided in paragraph 12 herein, a discount of 10 percentage points from the established _____% rate shall be allowed by Block. (For example, for the first half of January, if payment is remitted and post marked by the U.S. Postal Service by January 23, only _____ is due; otherwise _____ must be paid by February 15th).

Upon the happening of an Event of Increase (defined below), the franchise royalty charged hereunder shall automatically increase to an amount equal to the franchise royalty being offered by Block at the time of such Event to prospective franchisees in territories comparable with the franchise territory, but in no event shall such royalty exceed 10% after deduction of the allowed discount of 10 percentage points permitted above (i.e., gross franchise royalty may not exceed 20%). An Event of Increase shall mean (i) the transfer, assignment, gift or other disposition, by operation of law or otherwise, of the Franchisee's rights under this Agreement to another (except to the original individual Franchisee's spouse, son, daughter, brother or sister, or any or all of them, or to a corporation, partnership, trust or other business organization or entity in which no one other than Franchisee, his spouse, son, daughter, brother or sister, or any or all of them, owns an interest, or except to a controlled corporation or controlled partnership as set forth in paragraph 16 of this Agreement or, if Franchisee is an individual, except to Franchisee's estate or legal representative upon Franchisee's death), and (ii) if this franchise is held by or in the name of a corporation, partnership, trust or other business organization or entity, the transfer, assignment, gift or other disposition of the controlling interest in such entity (unless such controlling interest is so transferred to the spouse, son, daughter, brother or sister of the original individual Franchisee hereunder or any or all of them).

11. INITIAL DEPOSIT.

As security for Franchisee's faithful performance of this Agreement, Franchisee hereby deposits with Block the amount inserted below in the space provided (which amount is in accordance with the Schedule hereinbelow set forth, unless this Agreement replaces a prior franchise agreement to the territory covered by this Agreement between the parties hereto, in which event no deposit shall be required of Franchisee in excess of the amount deposited under said prior franchise agreement and such prior deposit, even if none, shall satisfy the deposit required of Franchisee by said Schedule). Such deposit, if any, shall be held by Block without interest and may be commingled with Block's other funds, and shall be refunded to Franchisee 3 years after the termination, or the sale, transfer or other disposition, of this Agreement by Franchisee; provided, however, upon the death of an individual franchisee, said deposit

shall be refunded within 30 days following written notice to Block that the provisions of paragraph 19 herein have been complied with, and, provided further, if the assignee of this Agreement is a controlled corporation or controlled partnership, or the spouse, son, daughter, brother or sister, or any or all of them, of the franchisee who is assigning this Agreement, then such assigning franchisee's deposit hereunder, if any upon its transfer to said assignee, shall be held in accordance with this paragraph by Block in satisfaction of said assignee's obligation to make the deposit required herein and such assigning franchisee shall have no further interest in said deposit, and if no deposit was required hereunder of such assigning franchisee, then no deposit shall be required of said assignee. Any other assignee of this franchise shall pay an initial deposit equal to the deposit required by the Schedule set forth below, which shall be paid at the time of the assignee's execution and acceptance of this Agreement.

DEPOSIT TO BE
 \$ 300.00
 500.00
 1,000.00
 3,000.00
 5,000.00
 10,000.00
 20,000.00

IF FRANCHISE TERRITORY POPULATION IS
 Less than 15,000
 15,000 to 50,000
 50,000 to 150,000
 150,000 to 400,000
 400,000 to 750,000
 750,000 to 1,500,000
 1,500,000 or over

Population shall be determined as of the date of this contract from most recent Standard Rate and Data Service figures.

Block hereby acknowledges receipt of the sum of

(\$ _____), received from Franchisee in accordance with the foregoing provisions. Block agrees to extend credit to Franchisee with regard to the initial supplies purchased annually from Block, such credit not to exceed the amount of Franchisee's contractual deposit, and to defer cash payment of the initial supplies order until the following February 10.

12. TERMINATION OF AGREEMENT.

Any material and substantial breach of the terms hereof by Franchisee shall constitute grounds for termination of this Agreement and for payment by Block to Franchisee or his assigns pursuant to paragraph 24. Prior to such termination, Block shall give Franchisee written notice of the alleged breach by certified or registered mail and Franchisee may, within 30 days following the receipt of such notice, except in the case of a breach for non-payment of the franchise royalty, request arbitration of such alleged breach pursuant to paragraph 13, if it has not already been corrected. If the Franchisee attempts to correct the alleged breach within said 30 day period, and so notifies Block of such correction, Block shall advise Franchisee within 10 days thereafter whether the alleged breach has been corrected and if such advice is in the negative, then Franchisee shall have 30 days thereafter to request arbitration. In the event of non-payment of the franchise royalty provided herein for a period of 30 days following receipt by Franchisee of notice of non-payment from Block this Agreement may be cancelled and terminated by Block without arbitration and without further notice; provided, however, that this provision shall not apply and arbitration shall be available hereunder if there is a bona fide dispute as to the amount of the unpaid franchise royalty and Franchisee pays any undisputed portion thereof, or if there is a bona fide dispute as to whether or not the franchise royalty has been paid. No such termination shall take place while such arbitration or any subsequent court proceeding is pending. Except as to a breach for non-payment of the franchise royalty, where there is no bona fide dispute as herein provided, which shall be governed as hereinabove expressly set forth, Franchisee may correct any breach, and thereby prevent termination of this Agreement, within 30 days after a determination by arbitration or subsequent court proceeding that a breach justifying termination has occurred.

13. ARBITRATION.

Every effort shall be made to settle amicably any dispute between the parties arising out of or by reason of this Agreement, or the construction or performance thereof. In the event a mutual settlement or resolution of any such dispute cannot be achieved within 15 days after written notice by either party to the other requesting arbitration (the "arbitration notice"), the dispute must be submitted for arbitration before any legal action by either party may be commenced. The arbitration and award shall be in accordance with the rules and regulations then obtaining of the American Arbitration Association or any other rules unanimously adopted by the arbitrators (as selected below).

Each party shall appoint an arbitrator and advise the other party of the choice (and if either party fails to appoint an arbitrator within 10 days after notification of the appointment by the other party, the person appointed as arbitrator may appoint an arbitrator to represent the party in default). The two arbitrators appointed in either manner shall then select a third arbitrator, and should they be unable to agree on a third arbitrator within 15 days after the date of the last to be appointed then the American Arbitration Association, or any other organization mutually acceptable to the two arbitrators, shall be requested to appoint the third arbitrator. Time is of the essence in these proceedings and a decision of the arbitrators shall in all events be rendered within 90 days after giving of the arbitration notice. Additional time for the decision may be granted by mutual consent of Block and Franchisee, or upon request of two of the three arbitrators, but in no case longer than 90 days after the last day of the initial 90 days. If said decision is not rendered within the time set forth herein, the arbitration may be terminated by either party and either party may then proceed to have the matter resolved in a court of law.

Except as to a breach for non-payment of the franchise royalty, where there is no bona fide dispute as herein above provided in paragraph 12, the provisions relating to arbitration shall be applied to any alleged breach of this Agreement and any other disputes that may arise from time to time, and all other rights and privileges of the parties hereto under any other provisions of this Agreement shall not be affected by any such arbitration procedure. The arbitrators shall have no right to include or decide issues not directly involved in any dispute before them. The decision of the arbitrators shall be by a majority thereof. The expense of arbitration shall be borne equally by Block and Franchisee. Block shall mail a copy of each arbitration notice to each major franchisee (as defined above) and further shall notify each major franchisee of the disputed provision or provisions of this Agreement or any other matter to be submitted for arbitration and the date, hour and location of the arbitration proceeding. The arbitration shall be open to all interested parties, subject to the rules of the arbitrators, and anyone shall give information upon request of either party or the arbitrators. The decision of the arbitrators shall be legally binding upon the parties thereto, unless such decision relates to additional territory or unless such decision would cause either party to incur an expenditure, exclusive of cost of arbitration, of more than \$5000.00 or unless such decision provides, or gives either party grounds for the termination of the franchise herein granted, but in such event the parties hereby expressly stipulate that such decision, although not binding, including a transcript of the record therein, or any part thereof, may be admitted into evidence without objection in any litigation on the dispute between the parties hereto. The location of any arbitration proceeding shall be determined by the arbitrators.

14. PARTIES NOT JOINT VENTURERS, ETC.

The parties hereto are not and shall not be construed as joint venturers, partners or agents of each other, and neither party shall have any power to bind or obligate the other, and neither party shall be liable to any person whomsoever for any debts incurred by the other.

15. OWNERSHIP OF CUSTOMER LISTS, ETC.

All customer lists, customer names, forms, files and copies of tax returns in Franchisee's custody shall be and remain at all times the property of Franchisee; provided, however, that in the event of termination of this Agreement and upon payment of such monies due as set forth in paragraph 24, such property rights of Franchisee thereto shall be transferred to and shall vest in Block and Franchisee shall immediately deliver to Block all such customer lists, customer names, forms, files and copies of tax returns. Neither party shall have the right and privilege to use any information appearing on file copies of customer tax returns during the term of this Agreement except Franchisee may use such information solely in the preparation of subsequent years' tax returns or internal statistics.

16. ASSIGNABILITY.

Franchisee's interest under this Agreement may be transferred and assigned by Franchisee, and Franchisee's heirs, successors and assigns, to any person, partnership, or corporation; provided, however, that any proposed transfer (other than to a "controlled corporation" or "controlled partnership" as defined below) must be submitted to Block with a request to transfer, which request shall include the name, address and principal occupation or business activity of the proposed transferee, and such other information (including financial statements, business references, and the like) that Block may reasonably request for the purpose of approving or disapproving such proposed transferee. Block agrees that it will not arbitrarily or unreasonably exercise its right to approve or disapprove any proposed transferee or principal and any disapproval by Block under this Agreement with respect to a proposed transferee or principal shall be only for reasons which are material and substantial in nature. If the proposed transferee is a corporation or partnership, but not a controlled corporation or controlled partnership, then Franchisee shall also furnish to Block the name, address and principal occupation of each officer and director or each partner, as the case may be, of such corporation or partnership, together with the name, address, principal occupation, and ownership interest of each significant stockholder (that is, a holder of 10% or more of any class of voting securities of such corporation) and the name and address of an individual, hereinafter referred to as the "principal", (i) who shall be a director or partner of the proposed transferee and who will personally assume and be bound by all of the terms, covenants and conditions of this Agreement and (ii) who will execute a document satisfactory to Block to that effect, to the end that Block may look to such individual, in addition to the proposed transferee, for the proper performance of this Agreement, and such other information (including financial statements, business references, and the like) that Block may reasonably request for the purpose of approving or disapproving such proposed transferee or principal, Block hereby agreeing to exercise reasonably and in a fair manner its right to approve or disapprove such proposed transferee or principal, unless the proposed principal is the individual Franchisee under this agreement, in which event the Franchisee cannot be disapproved as principal or be subject to the approval or disapproval provisions herein.

The proposed transfer shall become effective 30 days after the receipt of the transfer request by Block unless Block does not approve (which approval shall not be withheld unreasonably) of such proposed transferee and, if applicable, the principal thereof, as evidenced by an instrument in writing setting forth the reason or reasons for such disapproval given within the above 30 day period. In the event of such disapproval, Franchisee may also submit an alternate transfer request to Block within 30 days after such disapproval, subject to all the foregoing conditions with respect to the initial transfer request. Franchisee shall, in any event, have 30 days from the receipt of a disapproval letter to request arbitration pursuant to paragraph 13 of this Agreement. In the absence of disapproval by Block, or upon approval by subsequent arbitration or court decision, of such proposed transferee and principal, such transferee, and principal, as the case may be, shall assume in writing all of Franchisee's obligations hereunder and be entitled to all benefits accruing thereto, and shall execute the document described above.

For purposes of this Agreement, (i) a "controlled corporation" or "controlled partnership" shall be a corporation or partnership in which Franchisee, or Franchisee's spouse, son, daughter, brother or sister, or any or all of them, directly or indirectly hold in the aggregate, a majority (over 50%) of each class of voting securities (if a corporation) or the majority controlling interest (if a partnership), and (ii) with respect to a corporation or partnership, its voting securities or majority controlling interest, as the case may be, shall be deemed held directly by Franchisee (or Franchisee's spouse, son daughter, brother or sister) if registered in any or all of their respective names alone or jointly with another, and shall be deemed held indirectly by said individuals if registered in the name of a broker, trustee, executor, administrator or other nominee for the benefit of said individuals or any of them. It is specifically understood that transfer to either a controlled corporation or controlled partnership shall not result in an increase in franchise royalties, an additional deposit or a request for transfer or require a designation of a principal. However, Block shall be notified in writing at the time of transfer of the name of the controlled corporation or controlled partnership, the effective date of transfer and the name and address of each officer, director and significant shareholder(s) (if a corporation) and or each general partner (if a partnership), and shall thereafter be notified in writing from time to time of any changes thereof. In the event of any transfer or assignment by Franchisee of this Agreement, or any interest therein, to a controlled corporation or controlled partnership, Franchisee shall remain liable for the prompt and faithful performance of all terms, covenants and conditions of this Agreement until a principal is appointed and approved by Block or this Agreement is transferred or assigned to a transferee approved by Block.

17. CHANGES IN STATUS OF CONTROLLED CORPORATION OR PARTNERSHIP.

If Franchisee is a controlled corporation or controlled partnership (as defined above) and (i) at any time during the term of this Agreement Franchisee's status as such shall cease or (ii) if the individual who is personally liable for the prompt and faithful performance of all the terms, covenants and conditions of this Agreement (that is, the original individual franchisee of this Agreement who shall have assigned the same to a controlled corporation or partnership) should die or sell, transfer or otherwise completely dispose of or terminate his interest direct or indirect, in Franchisee while so personally liable, or, (iii) if Franchisee is a corporation or partnership which has a principal as required by paragraph 16 and if during the term of this Agreement such principal dies, then, in any case, Franchisee shall notify Block of this Agreement such principal dies, then, in any case, Franchisee shall notify Block in writing within 60 days after the occurrence of such event of the name and address of an individual (i) who shall be a director or partner of Franchisee and who will personally assume and be bound by all of the terms, covenants and conditions of this Agreement and (ii) who will execute a document satisfactory to Block to that effect, to the end that Block may look to such individual, in addition to Franchisee, for the proper performance of this Agreement (the "principal"). Block shall have 30 days after receipt of such notice to approve such principal (and may request further information with respect to him, including financial information, business background and the like), which approval will not be unreasonably withheld. If the proposed principal is the individual Franchisee under this Agreement or is Franchisee's spouse, son, daughter, brother or sister, such proposed principal cannot be disapproved by Block unless such proposed principal shall be legally incompetent, shall not be of legal age, or shall at any time have been convicted of any crime involving acts of moral turpitude. Any disapproval by Block will be evidenced by an instrument in writing setting forth the reason or reasons for such disapproval, subject to all of the foregoing conditions with respect to the initial notification of a proposed principal. Franchisee shall, in any event, have 30 days from the receipt of a disapproval letter to request arbitration pursuant to paragraph 13 of this Agreement. In the absence of

disapproval by Block within said 30 day period, or upon approval by subsequent arbitration or court decision of such principal, such principal shall execute the document described above. Any officers, directors and partners of Franchisee shall also be fully bound by the non-competition provisions herein and shall execute an agreement to that effect.

18. TERM OF AGREEMENT.

The term of this Agreement shall run for a period of five years from the date hereof, with further provisions that it shall be automatically renewed for successive periods of five years each, unless mutually terminated or terminated pursuant to paragraph 12.

19. DEATH OR INCAPACITY.

The following provisions apply only if Franchisee is an individual. In the event of the death of Franchisee, or his incapacity (defined herein as his inability according to competent medical authority to perform the duties and obligations under this Agreement for a period of one year or more as the result of illness or accident), Block shall be entitled to receive information from Franchisee or his legal representative as to what actions are being taken to prevent or minimize the interruption of the service required or to be rendered hereunder, and shall be entitled, but not required, to render whatever assistance is requested, and Block shall be entitled to reimbursement from Franchisee or Franchisee's estate for any reasonable expenditures thus incurred if other than normal services provided in paragraph 3. Such death or incapacity shall not of itself be grounds for termination of this Agreement unless either (i) Franchisee or his legal representative fail for a period of 180 days after such death or incapacity to commence action to assign this Agreement as permitted by paragraph 16, or (ii) such assignment is not completed within one year after such death or incapacity; provided, however, any period of time during which an assignment is subject to Block's approval and during which any issue relative to a disapproval of any assignment is in arbitration or pending in a court of law shall not be a part of such one year time limit provided herein. If such action or assignment is not timely taken or made as aforesaid, Block shall have the right to terminate this Agreement, subject to paragraph 13 of this Agreement.

20. NON-WAIVER OF BREACH.

The failure of either party hereto to enforce at any time or for any period of time any one or more of the terms or conditions of this Agreement shall not be deemed a waiver of such terms or conditions or of either party's rights thereafter to enforce each and every term and condition of this Agreement.

21. CANCELLATION OF PRIOR UNDERSTANDINGS.

This Agreement expresses fully the understanding by and between the parties hereto and all prior understandings, or commitments of any kind, oral or written, as to this franchise and any matters covered by this Agreement are hereby superseded and cancelled, with no further liabilities or obligations of the parties with respect thereto except as to any monies due and unpaid between the parties to this Agreement at the time of the execution of this Agreement.

22. APPLICABLE LAW.

This Agreement shall be construed according to the laws of the State of Missouri; provided, however, no violation hereof shall be deemed a breach of contract if occasioned by the laws or public policy (as judicially decreed) of the State or local governing authority of the franchise territory.

23. TIME OF THE ESSENCE.

As to all reports and fees payable to or to be made to Block, time shall be of the essence.

24. PAYMENT TO FRANCHISEE UPON TERMINATION.

In the event of the termination of this Agreement for any reason other than sale to Block, Franchisee shall sell, assign and deliver to Block all of the properties and assets of Franchisee's business operated hereunder (including, without limitation, all equipment and supplies of such business), and Block shall pay a fair and equitable price to Franchisee for Franchisee's business operated hereunder, but no less than the total of the following:

(a) Depreciated book value of all Franchisee's equipment, if same shall be free of all liens;

(b) Cost price, including freight-in, less any amounts owed thereon, of all Franchisee's usable supplies on hand;

(c) Eighty percent of the total revenues of Franchisee for the 12 month period ending on the April 30 immediately preceding the date of the purchase (for purposes of this Agreement total revenues of Franchisee means the aggregate of Franchisee's gross tax return preparation fees, subfranchise royalties and receipts from the performance of related services);

(d) All of the Franchisee's normal, recurring, ordinary and reasonable off-season (May 1 through December 31) expenses in excess of gross off-season revenues from the May 1 immediately preceding the date of purchase to the date of purchase (such expenses including, but not limited to, rents, wages, advertising, etc. but excluding Franchisee's salary, if any, and such revenues including, but not limited to, tax return preparation fees, tuition tax school payments, etc.) but only if the purchase by Block is consummated during such off-season.

Any franchise royalties due and unpaid to date of purchase shall be deducted from the purchase price so determined above. Leases on real and personal property may be assumed by Block if mutually agreeable between the parties hereto, and if Block consents in writing to assume payment of the rent and other liabilities thereunder and save Franchisee harmless therefrom.

25. HEIRS, SUCCESSORS AND ASSIGNS.

This instrument shall be binding upon and inure to the benefit of the parties hereto, their successors, assigns, heirs, executors, administrators, and legal representatives, and Franchisee shall have and hold this franchise in peace and tranquility so long as each party timely performs and faithfully observes and complies with all of the covenants, terms and conditions of this Agreement incumbent on each other.

26. RELEASE OF PRIOR CLAIMS.

By executing this Agreement, Franchisee, individually and on behalf of Franchisee's heirs, legal representatives, successors and assigns, and each assignee of this Agreement by accepting assignment of the same, hereby forever releases and discharges Block, its officers, directors, employees, agents and servants, including Block's subsidiary and affiliated corporations, their respective officers, directors, employees, agents and servants, from any and all claims relating to or arising under any franchise agreement or agreements between the parties and executed prior to August 31, 1973, including but not limited to any and all claims, whether presently known or unknown, suspected or unsuspected, arising under the antitrust laws of the United States or of any State.

27. NOTICES.

All notices required hereunder shall be in writing and shall be deemed sufficiently served by mailing, postage prepaid, via certified or registered mail, with respect to

Franchisee, to the address shown below, and with respect to Block, to its principal office, 4410 Main Street, Kansas City, Missouri, or to such other address(es) that may hereafter be designated by either party to the other, and shall except as otherwise provided herein be deemed to have been given as of the date so mailed.

28. INVALIDITY OF PART OF AGREEMENT DOES NOT AFFECT REMAINDER.

If any covenant or other provision herein shall be determined to be invalid, illegal or incapable of being enforced by reason of any rule or law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect and no covenant or provision of this Agreement shall be deemed to be dependent upon any other unless so expressed herein.

IN WITNESS WHEREOF, the parties hereto have caused these presents to be executed the day and year first above written.

H & R BLOCK, INC.
(Block)

By _____
President

By _____
Secretary

(Franchisee)

(Address)

(City, State)

SATELLITE FRANCHISE AGREEMENT

THIS AGREEMENT is made and entered into this ____ day of _____ 19__ between H&R BLOCK
(_____), INC a _____ corporation (Block) and

(Name)

(Address)
(Franchisee)

In consideration of the covenants and agreements set forth below Block and Franchisee agree as follows

1 Definitions

As used in this Agreement the following terms shall have the meanings specified

Additional Services means those services other than Related Services that Block has authorized Franchisee to perform under the Licensed Marks by the attachment of an addendum to this Agreement describing such Additional Services and the applicable terms and conditions including payment of royalties

Arbitration Notice means the written notice sent by either party to the other requesting arbitration of a dispute or Breach

Breach means the happening of one or more of the grounds for termination of this Agreement set forth in paragraph 13

Controlled Entity means a corporation or partnership in which Franchisee is the beneficial owner of a majority (over 50%) of each class of voting securities (if a corporation) or is the controlling general partner (if a partnership)

Franchise Territory means the City of _____ in the County of _____
and State of _____

Gross Receipts means all amounts received by Franchisee from the preparation of tax returns and performance of Related Services including but not limited to computer services in connection with the preparation of tax returns and performance of Related Services and all amounts received from the performance of Additional Services if the addendum regarding any Additional Service does not specifically provide for the payment of royalties

Incapacitated or Incapacity means the inability of Franchisee or a Principal according to competent medical authority to perform the duties and obligations under this Agreement for a period of one year or more as the result of illness or accident

Licensed Marks means the name and service mark H&R BLOCK and with respect to operating an income tax return preparation service and performing Related Services the service marks THE INCOME TAX PEOPLE AMERICAS LARGEST TAX SERVICE EXECUTIVE TAX SERVICE NATION S LARGEST TAX SERVICE and any other name or service mark that may be adopted by Block or registered by Block under appropriate service mark or trademark registration laws for use in such business and performing such services

Manual means the H&R Block Policy and Procedure Manual as amended by Block in its sole discretion from time to time

Off Season means that portion of a calendar year other than the Tax Season

Principal means an individual who is an executor or executrix trustee director or partner of a proposed transferee or a director or partner of a Controlled Entity and who personally assumes and agrees to be bound by all of the terms of this Agreement in a document satisfactory to Block to the end that Block may look to such individual in addition to the proposed transferee or the Controlled Entity for the proper performance of this Agreement

Related Services means those products or services that Block has from time to time in writing authorized Franchisee to perform that deal with the preparation of income tax returns such as by way of illustration and not limitation income tax return preparation schools and other similar products or services directly related to the business of preparing income tax returns

Renewal Terms means those successive five year terms after the initial term of this Agreement

Reporting Period means those periods (1) commencing on the first day and sixteenth day of the months of January through March and on the first day of the months of May through December and ending, with respect to those periods commencing on January 1, February 1, and March 1, on the fifteenth day of each such month and with respect to all other such periods on the last day of each such month and (2) commencing on April 1 and ending on the last day of the Tax Season and commencing the following day and ending on the last day of April.

Tax Season means the period from the first Monday after January 1 through the last date on which individual Federal income tax returns for the preceding year may be filed without an extension of time or incurring any penalty for late filing.

Transfer means any direct or indirect transfer (by gift or otherwise), assignment, lease, or other disposition of Franchisee's interest under this Agreement or of the majority stock ownership or controlling general partnership interest in a Controlled Entity (but does not include a disposition by will or operation of law on the death or incapacity of the franchisee who assigned this Agreement to a Controlled Entity) to any person, estate, trust, partnership, or corporation.

2 Grant of Franchise

Block grants to Franchisee exclusively the right to (i) operate an income tax return preparation service, (ii) perform Related Services, and (iii) after executing an addendum hereto, perform Additional Services under the Licensed Marks from a location or locations within the Franchise Territory.

Franchisee may conduct the activities permitted or required by this Agreement at such location(s) for any person or firm residing outside the Franchise Territory, or advertise or promote Franchisee's location(s) in media originating within the Franchise Territory and which may extend beyond the Franchise Territory. No Additional Services may be offered from any location unless an addendum authorizing the performance of Additional Services is attached hereto.

Franchisee shall have one year from the date Block first offers to authorize Franchisee to perform any service as an Additional Service to obtain the right to perform such service as an Additional Service under this Agreement by executing the applicable addendum for such Additional Service. If Franchisee does not execute the applicable addendum within such one year period, then Franchisee shall have no right to perform such service and Block may, or may license third parties to, perform such service (as defined from time to time by Block) under the Licensed Marks from a location or locations within the Franchise Territory.

3 Manner of Use of Name

Franchisee will operate his business of preparing tax returns and performing Related Services and any authorized Additional Services under the Licensed Marks. Franchisee acknowledges that the use of any other name or marks in conducting the business of this franchise is prohibited, that the Licensed Marks will be used only in connection with the business with which they are associated and in the manner specified by Block, and that Franchisee shall not permit the Licensed Marks or any substantially similar style or spelling thereof to be used for any other purpose, including but not limited to the formation of corporations, partnerships, business associations, or any other form of business organizations, without the written permission of Block.

All uses of the Licensed Marks shall inure to the benefit of Block, and Franchisee shall not at any time acquire any rights in the Licensed Marks by virtue of any use thereof. Franchisee shall not at any time during the term of this Agreement or thereafter challenge or attack the validity of Block's rights in and to the Licensed Marks. Franchisee shall notify Block within 10 days of the time Franchisee becomes aware of any unauthorized use of the Licensed Marks.

4. Term of Agreement.

The initial term of this Agreement begins on the date hereof and ends five years after such date, unless sooner terminated by Block as provided in paragraph 13. Unless Franchisee is in default hereunder or under any agreement with or obligation to Block or any subsidiary or affiliate of Block, this Agreement shall be automatically renewed for successive Renewal Terms. Franchisee may terminate this Agreement effective at the end of the initial term or any Renewal Term, but only upon at least 120 days written notice to Block prior to the end of such term.

5 Initial Deposit.

As partial security for Franchisee's faithful performance of this Agreement, Franchisee deposits with Block the amount of \$_____ (which is, unless otherwise stated, determined as set forth below), the receipt of which is acknowledged by Block.

If Franchise Territory Population is	Deposit is
Less than 15,000	\$ 600
15,000 to 50,000	800
Over 50,000	1,200

Population shall be determined as of the date of this Agreement from the most recent Standard Rate and Data Service or comparable figures. Such deposit shall be held by Block without interest, may be commingled with Block's other funds, may be applied by Block to the payment of all unpaid amounts owed to it by Franchisee and to the payment of all costs and expenses, including attorneys' fees, incurred by Block in enforcing this Agreement, and shall be forfeited by Franchisee if Block terminates this Agreement pursuant to paragraph 13.

The parties expressly acknowledge that the forfeiture or application by Block of the deposit or any portion thereof shall not affect any other rights or remedies Block may have at law or in equity and that the forfeiture or application of such deposit shall not constitute liquidated damages or otherwise limit the damages or other legal or equitable remedies available to Block hereunder. To the extent not otherwise applied in accordance with this paragraph, the deposit shall be refunded to Franchisee two years after the termination, transfer or other disposition of this Agreement, provided (i) that the deposit shall be refunded within 90 days after the effective date of a transfer upon the death of Franchisee, and (ii) that upon a transfer to a Controlled Entity, the deposit shall be held by Block in accordance with this paragraph in satisfaction of the obligations of such Controlled Entity under this paragraph and Franchisee shall have no further interest in the deposit.

6 Royalties, Reports.

Franchisee shall pay Block royalties on Franchisee's Gross Receipts in each calendar year in the following amounts and at the times specified:

On That Portion of Gross Receipts That Is	The Early Payment Royalty Rate Is	The Standard Royalty Rate Is
\$5,000 or less	50%	60%
Over \$5,000	30%	40%

The standard royalty rate applies if neither the early payment royalty rate nor the 20% royalty rate described below is applicable. The early payment royalty rate applies if the royalty is paid to Block not later than five days after the end of the Reporting Period to which the royalty relates and no amounts payable to Block under this Agreement or otherwise are overdue. The royalty rate on the excess Gross Receipts for a calendar year over the average of the Gross Receipts for the two previous calendar years is 20% if paid to Block not later than five days after the end of the Reporting Period to which the royalty relates and is not subject to further reduction for early payment.

Royalties are due 30 days after the end of the Reporting Period to which they relate. Franchisee may defer until March 15 of each year the payment of 3 1/3%, if the standard royalty rate applies, or 40% if the early payment royalty rate applies, of each royalty payment due on that portion of Gross Receipts that is \$5,000 or less (up to an annual maximum deferred amount of \$1,000). The entire deferred amount will be payable, without further discount for early payment, no later than March 15.

Within five days after the end of each Reporting Period, Franchisee shall submit to Block a copy of every customer receipt (in the form furnished by Block) and such other reports as may be required from time to time in the Manual.

7 Instruction and Other Assistance

At its expense, Block will (a) advise and instruct Franchisee in the operational aspects of Franchisee's business; (b) advise in the selection and location of an office or offices; (c) furnish information necessary to establish an operating budget; (d) design forms which shall be used by Franchisee in Franchisee's business related to the preparation of tax returns and advise as to quantities needed; (e) initially train Franchisee in the preparation of tax returns (provided that such training shall take place at such times and at such places as Block shall designate) and thereafter make training material available to Franchisee; and (f) furnish all specialized forms (such as income tax forms and Block internal reporting forms) and designated equipment (which, subject to Block's then current practice, may include duplicating equipment and signs but not computer equipment, which is covered by paragraph 8) as specified in the Manual and deemed necessary from time to time by Block for Franchisee to efficiently operate hereunder for Franchisee's use in his tax return preparation business. Any such designated equipment or specialized forms will be furnished without charge to Franchisee except that Franchisee will be responsible for freight charges (as determined by Block) on all items other than duplicating equipment and signs. All equipment shall be installed and (except for duplicating equipment) maintained in good working order by Franchisee. Block shall further supply, without charge, all such other items set forth as items available without charge (except for freight) to Franchisee in the Manual. At its expense, Block will furnish all promotion and advertising deemed advisable by it in its sole discretion, provided that Franchisee will bear the cost or any discount granted pursuant to any discount program promoted by Block in which Franchisee participates and that Block, in its sole discretion, may determine to pay Franchisee an amount determined by Block for certificates redeemed by Franchisee in connection with those programs specified by Block. Block has no obligation to provide any services, supplies or other items not specifically set forth in this Agreement.

8 Computer Equipment and Software

Block may make available to Franchisee at no charge computer software (and any enhancements or revisions thereto) specifically designed for the computerized preparation of tax returns at such time as Block in its sole discretion determines.

Such software shall remain the property of Block and shall be used only in accordance with the specific terms of the sublicense agreement which Franchisee will be required to execute to obtain such software. Block shall use its best efforts to continue to provide and maintain software for any computer equipment that Block has sold under this paragraph 8 provided that Block shall not have any obligation to continue to provide or maintain software for such equipment if such software is not available at a price acceptable to Block nor to provide or maintain software for any particular type or brand of computer equipment that Block has not sold. Franchisee shall pay all other costs and expenses incurred in connection with the use of computers in Franchisee's business, including the acquisition of computer and computer related equipment and supplies (other than forms for computerized preparation of tax returns that may be supplied by Block under paragraph 7). Block may from time to time offer for sale or lease to Franchisee computer and computer related equipment selected by it to be compatible with the computer software then being provided. Block has no obligation to provide any services, supplies or other items relating to computers not specifically set forth in this Agreement.

9 Supplies.

Block may offer for sale to Franchisee certain office supplies, forms, machines, equipment and such other items as Block determines may be necessary and proper to conduct the Franchisee's business which are not covered in paragraphs 7 or 8 above. Block will furnish order forms and price schedules for such items and, if applicable, the computer equipment provided in paragraph 8 but if certain items have not been priced by the date established by Block for Franchisee's placement of orders for any items Franchisee desires, then the price to be charged will be furnished Franchisee at least 10 days prior to shipment; and if such price is not agreeable, Franchisee may cancel the order for that item within five days after receipt of notice of such price. Franchisee may purchase any items needed from any source without approval from Block provided the quality of any such items is at least equal to and the general appearance of it is similar to the comparable item being offered by Block in its catalog of supplies then in effect and in the hands of Franchisee. Block may charge interest at the maximum rate allowed by law on overdue accounts for items sold under paragraphs 8 or 9.

If all of Franchisee's obligations to Block are current, Block will extend credit to Franchisee up to the amount of the deposit provided in paragraph 5 for Franchisee's initial purchase from Block of supplies and forms not furnished by Block under paragraph 7 for each Tax Season. Payment for such supplies and forms will be due March 10 of the Tax Season for which such supplies were ordered. All other payments for supplies and forms, including all amounts in excess of the deposit, and all payments for machines, equipment and other items of a similar nature, are due within 10 days after the receipt of such supplies, forms, machines, equipment or other items or the date of an invoice for payment, whichever is earlier.

10 Franchisee's Conduct of Business

Franchisee shall use his best efforts in operating the business of this franchise and shall provide client service in accordance with Block's high standards including, at a minimum: (a) preparing each tax return accurately in accordance with Federal, state and local laws and checking each return thoroughly; (b) maintaining sufficient office space or the number of offices and employing sufficient personnel with current tax return preparation training to accommodate all clients without undue delay and within any time commitments made to such clients; (c) resolving client complaints in a timely manner; (d) paying penalties and interest in accordance with any Block guarantee in effect from time to time and otherwise complying with the terms of such guarantee; (e) maintaining minimum office hours during the Tax Season from 9 a.m. to 6 p.m. weekdays, 9 a.m. to 5 p.m. Saturdays and, subject to local laws and customs and at the option of Franchisee, 9 a.m. to 5 p.m. Sundays; and (f) maintaining minimum office hours during the Off Season as specified in the Manual and informing clients of the availability of Off Season service by providing information signs and a phone referral service or answering service or device. Franchisee shall manage and conduct the business in accordance with the rules and regulations specified as applicable to Franchisee in the Manual and without limiting the generality of the foregoing, shall: (a) maintain a neat and orderly office or offices during the Tax Season properly identified with appropriate signs and with adequate space for conducting the franchise business; (b) maintain separate bank accounts for Franchisee's tax return preparation business and for each Additional Service provided by Franchisee, if any; (c) pay all operational expenses including, without limitation, payroll, payroll taxes, rent, utilities and telephone charges, and freight, supply and other amounts due Block in a timely manner; and (d) maintain public liability insurance and errors and omission insurance in the amounts and with the coverage specified in the Manual. Franchisee may not conduct any business or activities from the office required to be maintained under this paragraph or allow any other person to conduct any activities from such office other than those permitted or required by this Agreement or the following activities or businesses being conducted on the date hereof _____ which shall not be conducted under the Licensed Marks and are not subject to royalties hereunder, provided that Franchisee may sublease such office during the Off Season to third parties for the purpose of conducting activities of the type that there will be no implication that such activities are being performed under the Licensed Marks, and provided that nothing herein shall prohibit Franchisee from leasing or subleasing separately identified office space not required in connection with Franchisee's business to third parties for the purpose of conducting any business or activities not required or permitted under this Agreement. Franchisee shall observe all Federal, state and local laws in his business and personal affairs, shall timely and properly file all business and personal tax returns and pay all taxes due, and shall notify Block of the institution of any legal action against Franchisee or Franchisee's property.

11 Books and Records

Franchisee shall maintain for a period of at least three years full, complete and accurate books and records pertaining to tax return preparation, Related Services, any Additional Services and for the purpose of determining compliance with the terms

of this Agreement any other business of Franchisee including, but not limited to copies of all customer receipts customer tax returns bank statements full complete and accurate books and records of accounts prepared in accordance with generally accepted accounting principles Franchisee's tax returns and any and all other reports documents and records required to be filed with any governmental authority or maintained pursuant to any Federal state or local law All of such books and records shall be open to inspection by Block during Block's regular business hours

12 Limitations on Competition and Disclosure

(a) Franchisee covenants that (i) during the term hereof he will not compete directly or indirectly whether as an owner stockholder partner officer director or employee with Block or Block franchisees in the business of preparing tax returns or performing Related Services in or within 45 miles of the Franchise Territory in the franchise territory granted to any other Block franchisee or within 45 miles of any office operated by Block (ii) for a period of one year after the termination of this Agreement or the Transfer or other disposition of this franchise he will not directly or indirectly whether as an owner stockholder partner officer director or employee solicit by mail phone or in person or divert from Block or Block franchisees any person for whom Franchisee prepared a tax return or performed Related Services or Additional Services at any time during the term of this Agreement for the purpose of rendering of services in connection with the preparation of tax returns or performance of Related Services or Additional Services and (iii) for a period of one year after the termination of this Agreement or the transfer or other disposition of this franchise he will not compete directly or indirectly whether as an owner, stockholder partner officer director or employee with Block or Block franchisees in the business of preparing tax returns or performing Related Services or Additional Services in or within 45 miles of the Franchise Territory

(b) Franchisee further covenants that Franchisee will never (i) divulge to or use for the benefit of any person association or corporation outside of the H&R Block organization any information or knowledge concerning customers the methods promotion advertising or any other systems or methods of operation of Block's business or that of Block's franchisees which Franchisee may have acquired by virtue of his operations under this Agreement (ii) use any materials regarding Additional Services without payment of the applicable royalty therefor and execution of an addendum regarding such Additional Services or (iii) do any deliberate act prejudicial or injurious to the goodwill or name of Block Information furnished to employees shall be reasonably limited to that which directly relates to such employee's duties and assists in the proper performance of such duties

(c) If Franchisee violates the provisions of subparagraph (a) of this paragraph 12 Block shall be entitled to an accounting of revenues and payment of royalties pursuant to paragraph 6 or the applicable addendum regarding Additional Services with respect to those revenues if any derived by Franchisee from the preparation of tax returns or performance of Related Services or Additional Services in violation of such provisions such payments to continue for one year or the remainder of the initial or any Renewal Term of this Agreement whichever is longer The parties expressly acknowledge and agree that such payment shall not affect any rights or remedies Block may have at law or in equity (including the right to seek injunctive relief) against Franchisee by reason of the violation of this paragraph

(d) Franchisee has carefully read and considered the provisions of subparagraphs (a) and (b) and having done so acknowledges that such restrictions including but not limited to the time periods and geographical areas of such restrictions are fair and reasonable and are reasonably required for the protection of the interests of Block its franchisees and their respective clients Franchisee further acknowledges that the qualifications for a franchise by Block are special unique and extraordinary and that this Agreement would not be entered into by Block except upon condition that the provisions of this paragraph 12 be included herein and that as such they be enforceable in the event of a breach by Franchisee by injunctive relief Franchisee disclaims any defense to the enforcement of the provisions of this paragraph 12 founded on any claim by Franchisee against Block

(e) If any provision of subparagraph (a) or (b) relating to time periods or geographical areas is found by a court of competent jurisdiction to exceed the maximum time period or geographical area such court deems reasonable and enforceable the parties agree that such court may enforce such provisions for such time period and within such geographical area as the court finds to be reasonable In addition Block in its sole and absolute discretion may unilaterally reduce the scope of any provision of subparagraph (a) or (b) relating to time periods or geographical areas

(f) If notwithstanding the foregoing, any provision of subparagraph (a) or (b) is held to be invalid or unenforceable such provisions shall be deemed to be separable and divisible from the remaining provisions which shall continue to be valid and enforceable as though the invalid and unenforceable provision had not been included herein

(g) Franchisee will cause each individual employed to prepare tax returns or to supervise the preparation of tax returns to execute an agreement in the form prescribed by Block containing substantially the same covenants against competition and disclosure as are set forth in subparagraphs (a) and (b)(i)

13 Termination of Agreement.

The following constitute grounds for termination of this Agreement by Block (a) any material and substantial breach of the terms hereof by Franchisee including without limitation (i) abandonment (ii) improper use of the Block name (iii) failure to

satisfy performance standards established by Block or specified in paragraph 10 (iv) nonpayment of franchise royalties (v) competition in violation of paragraph 12 (vi) transfers or dispositions in violation of paragraph 16 (vii) failure to satisfy the requirements of paragraphs 17 or 18 (viii) knowingly maintaining false books and records or failure to maintain required books and records or (ix) notification by Block of more than five alleged Breaches of any one or more provisions of this Agreement during any 12 month period whether or not the same have been cured by Franchisee or (b) other good cause including without limitation (i) fraud (ii) Franchisee's failure to pay any Federal state or local tax when due (iii) Franchisee's conviction of or admission of a violation of any Federal state or local statute relating to the conduct of Franchisee's business (iv) Franchisee's conviction of any felony or (v) Franchisee's bankruptcy or the appointment of a trustee for the benefit of creditors Block shall give Franchisee notice of an alleged Breach and Franchisee shall have 15 days after such notice to cure the alleged Breach provided that no notice or opportunity to cure is required if the Breach is one that cannot be cured including, without limitation competition in violation of paragraph 12 notification of more than five alleged Breaches during 12 months or conviction or admission of the specified violations of law If Franchisee has not cured the alleged Breach within such 15 day period or if such Breach cannot be cured Block may terminate this Agreement by giving Franchisee notice of such termination provided that Franchisee shall have 15 days after such notice to request arbitration if such Breach is arbitrable under paragraph 15 Franchisee acknowledges that the grounds for termination set forth in this paragraph 13 constitute good cause for termination of this Agreement and that Block will be materially and substantially damaged as a result of any such Breach All of the provisions of this paragraph 13 including the grounds for termination of this Agreement and the notice and cure periods set forth herein shall be subject to the provisions of any state law which is determined to be applicable to the termination of this Agreement and the specific provisions of any such state law shall apply in lieu of those specified in this paragraph but only to the extent required by any such state law

14 Effect of Termination

If this Agreement is terminated or upon its transfer or assignment as permitted herein all rights of Franchisee shall terminate and Franchisee shall immediately refrain from using by advertising or otherwise directly or indirectly any of the Licensed Marks Without limiting the generality of the foregoing upon any termination of this Agreement all amounts payable to Block or any of Block's subsidiaries or affiliates shall immediately become due and payable and Franchisee shall immediately return to Block all supplies and other items provided under paragraph 7 copies of all customer tax returns and all materials data and property of Block including all computer software provided under paragraph 8 all sets and copies of the Manual and all books records customer lists customer names forms files and computer storage materials including such information and other relevant data and shall assign whatever right title or interest Franchisee may have in and to Franchisee's business telephone numbers and telephone and business directory listings and all leases covering equipment or real property then used in connection with Franchisee's tax return preparation operations as Block may require (and upon Block's consent in writing to assume Franchisee's obligations including payment of rental thereunder) If Franchisee owns the real property then used in connection with Franchisee's tax return preparation or Additional Services operations for a period of one year after termination of this Agreement Franchisee shall not lease such premises to any person (other than Block or a transferee approved by Block pursuant to paragraph 16) for the purpose of conducting a tax return preparation business or business engaged in performing Additional Services Block shall have the sole right and privilege to use any information appearing on file copies of customer tax returns in connection with the preparation of subsequent years tax returns for such customers Franchisee shall also refrain from using any words or combination of words similar or suggestive of any of the Licensed Marks and any trade names trade marks slogans designs signs and emblems of Block and shall further withdraw from use and cease to use all furniture furnishings advertising matter stationery forms or any other articles which display any of the Licensed Marks and trade names other trademarks service marks slogans designs signs or emblems of Block Franchisee will also upon any such termination refrain from holding Franchisee out to the public in any way as affiliated or connected with Block and thereafter distinguish Franchisee's business if any so clearly from that of Block as to avoid all possibility of any confusion by the public

15 Arbitration

Every effort shall be made to settle amicably any dispute between the parties arising out of or by reason of this Agreement or the construction or performance hereof Except as to nonpayment of franchise royalties misuse of the Block name or conviction or admission of a tax related offense which are not arbitrable these provisions relating to arbitration may be applied at the request of either Block or Franchisee to any alleged Breach of this Agreement and any other disputes that may arise from time to time provided that (i) Franchisee may request arbitration only on his own behalf and not for or on behalf of any other franchisee nor may any other franchisee request arbitration for or on behalf of Franchisee and (ii) the arbitration of any dispute must commence within the applicable statute of limitations for the bringing of a suit on such dispute If a mutual settlement or resolution of any such dispute or alleged Breach cannot be achieved within 30 days after the giving of the Arbitration Notice the dispute or Breach must be submitted for arbitration

The parties shall together appoint a single arbitrator within 15 days of the giving of the Arbitration Notice If they are unable to agree on an arbitrator then the American Arbitration Association or any other organization mutually acceptable to the parties shall be requested to appoint the arbitrator The arbitration and award shall be in accordance with the rules and regulations then obtaining of the American Arbitration Association Time is of the essence in these proceedings and a decision of the arbitrator shall in all events be rendered within 90 days after giving of the Arbitration Notice Additional time for the decision may be granted by mutual consent of Block and Franchisee or upon request of the arbitrator but in no case longer than 90 days after the last day

within 30 days if a decision is not rendered. In the event of a decision by the arbitrator, the arbitrator shall have the authority to decide all issues not directly involved in any dispute before him. The decision of the arbitrator shall be equally binding on both Block and Franchisee. The decision of the arbitrator shall be equally binding. The location of arbitration proceedings shall be determined by the arbitrator provided that such arbitration shall take place within the state in which the Franchisee's territory is located.

16 Assignability

Franchisee may not subfranchise, sublicense or Transfer and retain any interest (other than a consensual security interest) in this Agreement. The prior written approval of Block shall be required for any Transfer other than a Transfer to a Controlled Entity. Block will not arbitrarily or unreasonably exercise its right to approve or disapprove any proposed Transfer and any disapproval by Block with respect to a proposed Transfer shall be only for material and substantial reasons including, without limitation, a proposed Transfer in violation of any provision of this Agreement.

Approval by Block of a Transfer shall be subject to and conditioned upon the following: (i) receipt by Block of a Request for Transfer which request shall include the name, address and principal occupation or business activity of the proposed transferee and such other information (including financial statements, business references and similar information) that Block reasonably requests for the purpose of approving or disapproving such Transfer; (ii) payment of all amounts due Block from Franchisee and the absence of any other default by Franchisee under this Agreement; and (iii) the execution by the transferee of the then current form of Block Satellite Franchise Agreement and payment of any required deposit. If the proposed transferee is an estate, trust, corporation or partnership, then Franchisee shall also furnish to Block the name, address and principal occupation of each executor or executrix, trustee, officer and director or each partner, as the case may be, of such estate, trust, corporation or partnership together with the name, address, principal occupation and ownership interest of each significant stockholder (that is a holder of 10% or more of any class of voting securities of such corporation) and the name and address of a Principal and such other information (including financial statements, business references and the like) that Block reasonably requests for the purpose of approving or disapproving such proposed transferee or Principal.

Block shall have 30 days from the date that all of the conditions set forth above have been satisfied and the Request for Transfer and all related documents have been received at Block's principal office in Kansas City, Missouri to approve or disapprove such proposed transferee and, if applicable, the Principal thereof, provided that, without limiting Block's rights to approve or disapprove such proposed transferee or Principal, the proposed transferee or Principal must demonstrate to the satisfaction of Block that he meets all of the requirements for becoming a Franchisee, including, but not limited to, possessing good moral character, adequate financial resources and the ability to operate the business of the franchise in accordance with Block's high standards. If Block approves the proposed transferee and Principal, the Transfer shall become effective upon the written approval of Block. If Block disapproves the proposed transferee or Principal, it shall give Franchisee written notice setting forth the reason or reasons for such disapproval within the above 30 day period. In the event of such disapproval, Franchisee may request arbitration or, one time only, submit an alternate Request for Transfer to Block within 30 days after the giving of notice of such disapproval, subject to all of the foregoing conditions with respect to the initial Request for Transfer.

An assignment of this Agreement to a Controlled Entity shall not be subject to the requirements on Transfer set forth above. However, Block shall be notified in writing at the time of such assignment of the name of the Controlled Entity, the effective date of such assignment and the name and address of each officer, director and significant shareholder(s) (as defined above), if a corporation, and of each general partner if a partnership, and shall thereafter be notified in writing from time to time of any changes in the information required. In the event of an assignment of this Agreement to a Controlled Entity, Franchisee shall remain liable for the prompt and faithful performance of all terms, covenants and conditions of this Agreement until a Principal is appointed and approved by Block or until a Transfer occurs.

Franchisee's interest under this Agreement may be mortgaged or pledged without Block's approval, provided that no Transfer of Franchisee's interest on the foreclosure of such mortgage or pledge shall be effective until all of the requirements set forth in this paragraph 16 have been satisfied. No such mortgage or pledge shall limit Block's right to terminate this Agreement in accordance with its terms.

17 Change of Principals

If Franchisee is a Controlled Entity for which no Principal has been appointed and approved by Block and the prior Franchisee dies or is incapacitated, or if Franchisee is an entity that is required by paragraph 16 to have a Principal and such Principal dies or is incapacitated, then, in either case, Franchisee shall notify Block in writing within 60 days after the occurrence of such event of the name and address and such other information (including financial statements, business references and similar information) that Block reasonably requests regarding a new Principal. Block shall have 30 days after receipt of such notice to approve such Principal (and may request further information), which approval will not be unreasonably withheld. Any disapproval by Block shall be evidenced by a written notice setting forth the reason or reasons for such disapproval given within the above 30 day period. In the event of disapproval, Franchisee may propose the name of an alternative Principal within 30 days after notice of disapproval, subject to all of the foregoing conditions with respect to the initial notification of a proposed Principal, or may request arbitration within such time period. If Block does not disapprove such Principal, such Principal shall execute the document required to become a Principal and shall promptly forward it to Block. If such Principal fails or refuses to promptly execute such document or if no Principal is approved by Block as provided, Block shall have the right to terminate this Agreement.

18. Death or Incapacity

If Franchisee is an individual and dies or is incapacitated Block shall be entitled to receive information from Franchisee or his legal representative as to what actions are being taken to prevent or minimize the interruption of the service required or to be rendered hereunder and shall be entitled but not required to render whatever assistance is requested Block shall be entitled to reimbursement from Franchisee or Franchisee's estate for any reasonable expenditures thus incurred if other than normal services provided in paragraph 7 Such death or incapacity shall not of itself be grounds for termination of this Agreement Within 180 days after such death or incapacity Franchisee or his legal representative shall commence action to assign this Agreement in accordance with paragraph 16 If such action is not commenced or such assignment is not completed within one year after such death or incapacity (provided that any period of time during which an issue relative to a disapproval of any assignment is in arbitration shall not be included in determining whether such time limit has expired) Block shall have the right to terminate this Agreement

19 Indemnification

During and after the term of this Agreement Franchisee will indemnify and hold harmless Block from and against any and all loss damage, liability, expense (including reasonable attorneys' fees) and cost of any kind or nature not occasioned by the fault or neglect of Block arising out of or in connection with the franchise granted by this Agreement or the breach of this Agreement by Franchisee

20 Choice of Remedies.

Block's remedies under this Agreement shall be cumulative and non exclusive and the choice of any remedy available at law or in equity shall not preclude Block from pursuing any other such remedy available to it

21 Parties Not Joint Venturers

The parties hereto are not and shall not be construed as joint venturers partners agents or employees of each other and neither party shall have any power to bind or obligate the other and neither party shall be liable to any person whomsoever for any debts incurred by the other The sole rights and obligations of the parties are as set forth in this Agreement

22 Non-Waiver of Breach

The failure of either party hereto to enforce at any time or for any period of time any one or more of the terms or conditions of this Agreement shall not be deemed a waiver of such terms or conditions or of either party's rights thereafter to enforce each and every term and condition of this Agreement

23 Cancellation of Prior Understandings, Amendments

This Agreement expresses fully the understanding by and between the parties hereto and all prior understandings or commitments of any kind oral or written as to this franchise and any matter covered by this Agreement are hereby superseded and cancelled with no further liabilities or obligations of the parties with respect thereto except as to any monies due and unpaid between the parties to this Agreement at the time of the execution of this Agreement This Agreement may be amended only in a writing signed by both of the parties hereto

24 Survival

The provisions of paragraphs 12 14 19 and such other provisions of this Agreement which by their terms extend beyond the term of this Agreement shall survive any termination of this Agreement in accordance with their terms

25 Applicable Law; Partial Invalidity

The parties acknowledge and agree that this Agreement shall be subject to and construed by the laws of the State of Missouri unless any rule of law or public policy of the state in which the Franchise Territory is located requires that all or a specific provision hereof be governed by the laws of such state If any covenant or other provision herein shall be determined to be invalid illegal or incapable of being enforced by reason of any rule or law or public policy all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect and no covenant or provision of this Agreement shall be deemed to be dependent upon any other unless so expressed herein

26. Time of the Essence.

As to all reports and fees payable to or to be made to Block time shall be of the essence

27. Heirs, Successors and Assigns.

Except as limited by paragraph 16 and related provisions herein this instrument shall be binding upon and inure to the benefit of the respective successors assigns heirs executors administrators and legal representatives of the parties hereto

28. Notices.

All notices required hereunder shall be in writing and shall be deemed sufficiently served by mailing postage prepaid via certified or registered mail, with respect to Franchisee to the address shown below and with respect to Block to its principal office 4410 Main Street Kansas City Missouri or to such other address(es) that may hereafter be designated by either party to the other and shall except as otherwise provided herein be deemed to have been given as of the date so mailed

29 Binding Effect

This Agreement shall not be binding on either Block or Franchisee unless and until this Agreement has been executed by Franchisee and an executive officer of Block (that is the President Executive Vice President or any Vice President of Block) and attested to by its Secretary or Assistant Secretary

In Witness Whereof, the parties hereto have executed this Agreement the date first above written

(Franchisee)

H&R Block (_____), Inc
(Block)

By _____
(Name and Office)

(Address)

By _____
Assistant Secretary

(City State)

**MAJOR FRANCHISE
ELECTRONIC FILING AGREEMENT**

THIS AGREEMENT is entered into as of the _____ day of _____, 1991, by and between H & R Block, Inc., a Missouri corporation ("Block") and _____ ("Franchisee").

WHEREAS, Block and Franchisee are parties to a Major Franchise Agreement dated _____, 19____, by which Block granted Franchisee the right to engage in the business of preparing tax returns and performing "Related Services" under Block's names and service marks in _____, and Block and Franchisee are also parties to other Major Franchise Agreements of various dates by which Block granted Franchisee the right to engage in the business of preparing tax returns and performing related services under Block's names and service marks in other franchise territories in the United States (all of which Major Franchise Agreements may be referred to collectively as the "Major Franchise Agreement" or may be referred to separately as "each separate Major Franchise Agreement," as the context requires); and

WHEREAS, Block, in cooperation with CompuServe Incorporated ("CompuServe"), has developed a system ("Block's System") by which Franchisee may provide to Franchisee's customers services (jointly referred to herein as the "Electronic Filing Service") consisting of (1) the electronic filing of income tax return information with the Internal Revenue Service ("IRS"); (2) the direct deposit by the IRS of a customer's income tax refund into his or her bank account; and (3) the "RAL Service," which includes the electronic transmission to a lending institution ("Bank") designated by Block of income tax return information and other information necessary for a customer to apply to Bank for a refund anticipation loan ("RAL"), the electronic transmission of the approval or rejection of the RAL application from Bank to Block or Franchisee, the issuance of an RAL disbursement check to an approved applicant ("RAL Customer") and the deposit by the IRS of such RAL Customer's income tax refund into the RAL Customer's designated account at Bank; and

WHEREAS, Franchisee desires to offer the Electronic Filing Service to those of Franchisee's customers who desire and are eligible for such Service, making use of Block's System to do so, and Block is willing to permit Franchisee to offer the Electronic Filing Service under the terms and conditions hereafter contained;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements set forth herein, the parties agree as follows:

1. Use Of System. Subject to the terms and conditions set forth below, and the terms and conditions of the Major Franchise Agreement, Block agrees to permit Franchisee to use Block's System during the term of this Agreement to provide an H & R Block service for Franchisee's customers consisting of the Electronic Filing Service in the franchise territories defined in each separate Major Franchise Agreement.

Block may from time to time announce that new services are available to Franchisee to be added to the services comprising the Electronic Filing Service hereunder. In such event, Franchisee may add such new services in accordance with procedures specified by Block.

2. Notice Requirement. Upon request by Block and in accordance with procedures and deadlines established by Block, Franchisee agrees to notify Block in writing of the addresses of all locations in such franchise territories within such IRS districts at which Franchisee or any "Participating Subfranchisee," as such term is defined in Section 11 of this Agreement, will access microcomputers to Block's System and enter on such microcomputers during 1992 tax return data of customers of the Electronic Filing Service. Franchisee shall not access microcomputers to Block's System or transmit tax return data of customers of the Electronic Filing Service during 1992 from any location not listed in such written notice without the prior written consent of Block.

3. Conditions Precedent. Block and Franchisee agree that this Agreement, and their respective rights and obligations hereunder, are expressly conditioned upon (a) Block's System's successfully meeting the testing requirements set forth in IRS Revenue Procedures or other IRS announcements or publications containing the obligations of participants in the electronic filing program and the specifications for the electronic filing of individual income tax returns for tax year 1991 (the "Specifications"), including the submission of a successful test transmission; (b) Block's being accepted by the IRS to participate in the 1992 program for electronic filing of income tax returns; (c) Franchisee's being accepted by the IRS to participate in the 1992 program for electronic filing of income tax returns, if such acceptance is required by the IRS; and (d) Franchisee's timely submission of a test transmission using Block's System that is satisfactory to Block and, if required, to the IRS.

4. Term. Unless terminated earlier as hereinafter provided, the term of this Agreement shall commence on the date this Agreement is executed and shall end on August 31, 1992, provided that Block's System may be used by Franchisee to provide to Franchisee's customers each separate service comprising the Electronic Filing Service only during that portion of such term in

which Block's System is made available by Block for use at Block's Company-owned offices to provide such service to Block's customers. Block shall announce in The Block Connection or any other written communication mailed to participating franchise owners any dates established by Block as the first date or last date during such term that a particular service may be provided by Franchisee to Franchisee's customers through the use of Block's System. Any such announcement shall not constitute a "notice" required or given under this Agreement and need not meet the notice requirements set forth in Section 25 herein.

5. Integration with Franchise Agreement. The parties hereto agree that the Electronic Filing Service constitutes a "Related Service," as such term is defined in the Major Franchise Agreement, and that all provisions in each separate Major Franchise Agreement under which the Electronic Filing Service is conducted which pertain to Related Services shall pertain to the Electronic Filing Service.

6. Licensed Marks; Advertising. The parties hereto agree that the phrase "Rapid Refund" is a trademark established by Block under the terms of Paragraph 1 of the Major Franchise Agreement, and this trademark and any name or logotype used by Block in connection with the electronic filing of tax return information shall constitute a "Licensed Mark," as such term is defined in the Major Franchise Agreement. Franchisee agrees to use the name or names and/or logotype or logotypes selected by Block for use by Block and Franchisee in describing or marketing the Electronic Filing Service, and Franchisee agrees not to use any other name or logotype in connection with the Electronic Filing Service without the express written consent of Block. Franchisee shall not publish or release any communication relating to the Electronic Filing Service (a) inferring a special relationship between (1) the IRS, the Financial Management Service and/or the Department of the Treasury and (11) Franchisee, Block, CompuServe, Bank and/or any other person or entity, or (b) inferring endorsement of the Electronic Filing Service, Block's services, Franchisee's services, Bank's services or Block's System by the IRS, the Financial Management Service or the Department of the Treasury. All communications relating to the Electronic Filing Service shall comply with the Specifications and any other rules, regulations or restrictions issued by the IRS.

7. Copies of Software and User's Guide. To enable Franchisee to use Block's System, Block shall deliver to Franchisee at Franchisee's expense (after order by Franchisee through Block's Supply Department) copies of the software developed as a part of Block's System for use with microcomputers in entering and correcting income tax return information, direct deposit information and any RAL application information (which information will hereafter be jointly referred to as "Customer Data") and transmitting such Customer Data to CompuServe. Block shall also deliver to Franchisee at Franchisee's expense (after order by Franchisee through Block's Supply Department) copies of a user's guide to such software.

8. Training and Support Provided by Block. Block shall provide Franchisee with such training in the use and operation of Block's System as is determined by Block to be necessary. Any such training shall be provided by Block to no more than two representatives of Franchisee and shall be held on such dates, at such times, and at such locations as are designated by Block. Subject to the provisions of Section 9, below, Block shall provide Franchisee with secondary technical and software support by telephone to designated representatives of Franchisee and such on-site support, if any, as is determined by Block to be necessary.

9. Items To Be Furnished And Expense To Be Borne By Franchisee. At Franchisee's own expense, Franchisee will furnish, install and operate the microcomputers, modems and printers ("hardware") necessary for Franchisee to enter Customer Data of customers of the Electronic Filing Service and to transmit such Customer Data to CompuServe and to receive and print communications from Block or CompuServe concerning such Customer Data. Such hardware must either meet the exact hardware configurations specified by Block for use with Block's System (which exact hardware configurations shall include, but not be limited to, brand names, types, models and storage capacity) or be hardware compatible thereto with which Block's System and its software will operate, provided that Block's obligation to provide technical and software support services pursuant to Section 8, above, and this Section 9, is conditioned upon Franchisee's hardware meeting the exact configurations specified by Block. Hardware meeting such exact configurations may be purchased by Franchisee through Block's Supply Department in accordance with such procedures and deadlines as may be established by Block. If the price of the hardware has not been determined at the time an order for such hardware is placed, Block will advise Franchisee of the price as soon thereafter as the price can be determined and at least 10 days prior to shipment, and if such price is not acceptable to Franchisee, Franchisee may cancel the order within five days after Franchisee has been advised of the price. If the hardware is purchased through Block's Supply Department, Franchisee will be responsible for freight charges (as determined by Block) not paid by the supplier. Block will invoice Franchisee for the hardware and any freight charges and payment of such invoice will be due 30 days after the date of invoice.

Except as provided in Section 8, above, Franchisee shall provide all training to Franchisee's employees and Participating Subfranchisees concerning the Electronic Filing Service and the use and operation of Block's System. Franchisee shall provide primary technical and software support to Franchisee's employees and Participating Subfranchisees through Franchisee's representatives trained by Block in the use and operation of Block's System pursuant to Section 8, above. If additional support is required, such representatives of Franchisee (or their replacements designated by Franchisee to Block in writing) may contact Block by telephone for such additional support.

In addition to the expense of furnishing, installing and operating the hardware mentioned above, Franchisee shall pay all expense relating to the Electronic Filing Service other than any expense for which Block is expressly obligated under the terms of this Agreement or the Major Franchise Agreement. The expense to be paid by Franchisee includes, but is not limited to, wages and commissions paid to Franchisee's employees; Block's charges for each copy of Block's System software and each copy of the user's guide delivered by Block to Franchisee pursuant to Section 7 (including any shipping charges relating thereto); the expense incurred by Franchisee's personnel to attend training sessions concerning Block's System; the expense incurred by Franchisee in the training of Franchisee's employees and Participating Subfranchisees concerning Block's System and the Electronic Filing Service; and the expense incurred by Franchisee in the provision of primary technical and software support to Franchisee's employees and Participating Subfranchisees.

10. Grant Of License. Block hereby grants Franchisee a revocable license to use the software, user's guide to the software, and any training materials developed in connection with Block's System for the sole purpose of conducting the Electronic Filing Service, subject to the limitations and restrictions herein set forth.

11. Restrictions On Use Of Licensed Materials. Franchisee agrees that the license granted by Block to Franchisee herein entitles Franchisee to use the licensed materials, and Franchisee agrees to use such materials, only to operate the Electronic Filing Service, and Franchisee further agrees that, unless expressly authorized herein to do so, Franchisee

a. Will not, without the prior written approval of Block, copy or otherwise reproduce, modify, sell or exchange such materials, or transmit (by telephone lines or otherwise), give away, or disclose such materials to any other person or firm, or permit any other person or firm to do so;

b. Will not license or permit any other person or firm to use such materials;

c. Will not, without the prior written approval of Block, contract with any person or firm engaged in the conduct of a commercial tax return preparation service to provide a transmission service for such person or firm, and will not use the materials furnished by Block for the benefit of or to assist such person or firm in the conduct of such commercial tax return preparation service.

Franchisee further agrees to return to Block all copies of the licensed materials at the termination of this Agreement if Block requests such return, and, if Block asks Franchisee to do so, Franchisee agrees to execute a certificate, in a form required by Block, that no copies have been retained.

Franchisee also agrees not to disclose to any other person or firm any of the trade secrets or proprietary information incorporated in Block's System or disclosed by Block to Franchisee in connection with training and support furnished by Block pursuant to the terms of this Agreement, except to Franchisee's employees whose services are necessary to operate and use Block's System properly and except to Participating Subfranchisees as hereafter provided.

Franchisee has read and considered the foregoing restrictions carefully and acknowledges that such restrictions are fair and reasonable and are reasonably required for the protection of the interests of Block. Franchisee further acknowledges that this Agreement would not be entered into by Block except upon the condition that such restrictions be included herein and that they be enforceable, in the event of a breach by Franchisee, by injunctive relief.

Nothing in this Section 11 shall be construed to preclude Franchisee from disclosing the trade secrets disclosed by Block to Franchisee, or from giving copies of the the software, user's guide and training materials delivered by Block to Franchisee for that purpose, to any person or firm to whom or which Franchisee has granted a subfranchise to conduct a tax return preparation service under Block's names and service marks, as authorized by the provisions of the Major Franchise Agreement, if such subfranchisee plans to operate a service similar to Franchisee's Electronic Filing Service using Block's System as a "Related Service" to the tax return preparation service operated by such subfranchisee under the terms of such subfranchise agreement. Franchisee agrees to disclose the identity of each such subfranchisee to Block. Franchisee further agrees to require each subfranchisee to whom or which Franchisee makes any disclosure authorized herein to enter into a written sublicense agreement with Franchisee containing the same basic provisions as this Agreement, or another form of agreement satisfactory to Block, before allowing such subfranchisee to use or have available for his use any proprietary information about Block's System. The sublicense agreement shall include the basic provisions of this Agreement that would be relevant to such subfranchisee including, without limitation, the provisions of Section 6 regarding the use of the names and logotypes selected by Block for use in connection with the service to be conducted by such subfranchisee and the further provisions of such Section governing the advertising of such service and the provisions of this Section 11 concerning restrictions on the use of the licensed materials and the disclosure of proprietary information. Franchisee agrees to supply a copy of such written agreement to Block if Block requests such copy. An eligible subfranchisee who will conduct an electronic filing service pursuant to a written agreement with Franchisee meeting the requirements of this Section 11, and whose identity has been disclosed by Franchisee to Block, shall be referred to as a "Participating Subfranchisee" throughout this Agreement.

12. Fees. In consideration of the revocable license granted by Block to Franchisee hereunder, the services to be provided to Franchisee by Block hereunder, the right of access of Franchisee's microcomputers to Block's System, and the electronic transmission of Customer Data of Franchisee's customers to the IRS and Bank, Franchisee agrees to pay a fee of \$2.25 for each tax return successfully transmitted for a customer of Franchisee or a customer of a Participating Subfranchisee, as evidenced by an acknowledgement by the IRS of acceptance of such return for filing. All such fees shall be paid to Block or to such other person or firm as Block shall hereafter direct and shall be paid at the same times that royalties on Franchisee's gross receipts from the Electronic Filing Service are payable, as specified in Section 13, below. The fee specified in this Section is independent of and in addition to the franchise royalties which are due pursuant to Section 13 of this Agreement and the provisions of the Major Franchise Agreement. The fee set forth in this Section is exclusive of sales tax, use tax, or any similar tax imposed by any unit of government. In the event that any such tax is imposed upon such fee, Franchisee agrees to pay such tax.

13. Royalties. The parties agree that the Electronic Filing Service to be conducted by Franchisee hereunder is a "Related Service" as that term is defined in the Major Franchise Agreement, and that all of Franchisee's gross receipts from the Electronic Filing Service, including all gross receipts described below from subfranchisees who are permitted to operate an electronic filing service, whether or not conducted using Block's System, shall be subject to royalties payable by Franchisee to Block at the times and at the royalty rate specified in the applicable, separate Major Franchise Agreement.

The gross receipts of subfranchisees who are permitted to operate an electronic filing service that are includable in Franchisee's gross receipts which are subject to royalties payable to Block shall include all gross receipts of subfranchisees in connection with the operation by such subfranchisees of an electronic filing service, regardless of how such sums may be characterized and regardless of whether or not such subfranchisees conduct such service using Block's System, including but not limited to

a. gross receipts of such subfranchisees from the preparation of tax returns that are filed electronically, as covered by the Major Franchise Agreement;

b. gross receipts of such subfranchisees from the electronic filing of tax returns; and

c. any payments made by Participating Subfranchisees to Franchisee for the right to use Block's System. If such payments are limited to reimbursement of Franchisee for the exact amount of payments made by Franchisee to Block on behalf of such Participating Subfranchisees of the fees re-

quired by Section 12, above, in connection with the electronic filing of tax returns of customers of such Participating Subfranchisees, such payments need not be included in Franchisee's receipts, but any payments made by such Participating Subfranchisees to Franchisee that are in excess of the exact amounts of such payments made by Franchisee on behalf of such Participating Subfranchisees shall be included in Franchisee's gross receipts.

d. If, instead of entering Customer Data in his own computer, arranging such Data in the format required by the IRS and Bank, and transmitting such Data directly to CompuServe by using copies of the software supplied to him by Franchisee pursuant to Section 11, above, a Participating Subfranchisee delivers such Customer Data to Franchisee and Franchisee enters such Data in Franchisee's computer, arranges such Data in the format required by the IRS and Bank and transmits such Data to CompuServe on behalf of the Participating Subfranchisee, and the Participating Subfranchisee pays Franchisee a fee or service charge for providing such service to cover Franchisee's cost of providing such service, Franchisee may exclude from his gross receipts the amount of such fee or service charge up to a maximum of \$3.25 per tax return transmitted on behalf of the Participating Subfranchisee. However, if such fee or service charge exceeds \$3.25 per tax return transmitted, the excess shall be included in Franchisee's gross receipts and be subject to the payment of royalties in accordance with the terms of the Major Franchise Agreement.

Franchisee acknowledges and agrees that the Major Franchise Agreement obligates Franchisee to report and pay franchise royalties on all of his gross receipts, and on the gross receipts of his satellite franchisees, from the preparation of tax returns and the performance of Related Services, and that, in the absence of an applicable exception, he is not entitled to deduct from such gross receipts the expense incurred in generating such gross receipts. Franchisee further agrees that Block is permitting Franchisee to exclude the fees or service charges received from Participating Subfranchisees, up to a maximum of \$3.25 per tax return transmitted, solely in order to enable Franchisee's Participating Subfranchisees to offer to such Participating Subfranchisee's customers the Electronic Filing Service, and that Block's permitting such deduction is not intended to and will not set a precedent which would obligate Block in the future either to pay on behalf of Franchisee any of Franchisee's operating expenses or to permit Franchisee to deduct expenses of operation from Franchisee's gross receipts on which franchise royalties are paid.

It is expressly understood and agreed that the gross receipts from the Electronic Filing Service to be operated by Franchisee and from similar services operated by any subfranchi-

sees who are permitted to operate such a service are in addition to, and not in lieu of, the gross receipts derived by Franchisee and such subfranchisees from the preparation of the tax returns that are filed electronically, and that, except as specifically provided in this Section 13, the total of all such receipts shall be included in the gross receipts of Franchisee and Franchisee's subfranchisees for the purpose of calculating franchise royalties payable by Franchisee to Block under the applicable, separate Major Franchise Agreement.

14. Reports. Within the time period after the end of each reporting period in which Franchisee, by the terms of each separate Major Franchise Agreement, is required to submit to Block reports of Franchisee's gross receipts from the preparation of income tax returns and the performance of Related Services for such reporting period, Franchisee shall also submit to Block such reports as may be required by Block in connection with the Electronic Filing Service. Franchisee shall keep books and records relating to the Electronic Filing Service which are separate and distinct from books and records pertaining to tax return preparation, other Related Services, and any additional services offered to the public by Franchisee, and such books and records shall be open to inspection by Block during regular business hours.

15. Franchisee's Conduct of Business. Except for the formatting of Customer Data transmitted to CompuServe by Franchisee and CompuServe's transmission of such formatted Customer Data to the IRS and Bank, the operation of the Electronic Filing Service shall be solely the responsibility of Franchisee. Franchisee agrees to conduct the Electronic Filing Service in full compliance with (a) all provisions of this Agreement and the Major Franchise Agreement; (b) the Specifications and any other rules or regulations published by the IRS relating to the electronic filing of tax returns, the direct deposit of income tax refunds and RALs; (c) any other applicable laws, rules or regulations of any federal, state or local governmental body; and (d) the procedures, guidelines and restrictions adopted by Block for the conduct of the Electronic Filing Service and the use of Block's System.

16. RAL Service. Franchisee agrees to comply with any obligations or restrictions imposed upon Block pursuant to the terms of any agreement pertaining to the RAL Service to which Block and Bank are parties (the "Bank Agreement"), except to the extent otherwise expressly provided in such Bank Agreement or in the procedures, guidelines and restrictions adopted by Block for the conduct of the Electronic Filing Service. Franchisee's obligation with respect to the RAL Service includes, but is not limited to, compliance with all provisions found in the Bank Agreement, Specifications, laws, procedures, guidelines and restrictions that relate to Franchisee's care, custody, handling, issuance and/or delivery of RAL disbursement checks and the processing, under appropriate circumstances, of stop payment orders relating to RAL disbursement checks. Upon termination of the Bank

Agreement, Franchisee's RAL Service shall terminate unless Block contracts with another Bank to provide RALs to Franchisee's RAL Customers in connection with the RAL Service.

Franchisee agrees to pay any RAL processing fee or other fee imposed by Bank upon Block or Franchisee for the services of Bank in processing an RAL application and/or providing a Refund Anticipation Loan to an RAL Customer of Franchisee. Franchisee shall pay any such fee in such manner, at such times and to such person or firm as Block shall hereafter direct. In no event shall any fee paid by Franchisee pursuant to this Section 16 with respect to any customer of Franchisee's RAL Service exceed the fee which Block would be required to pay to Bank pursuant to the Bank Agreement if such customer were a customer of Block's RAL Service.

17. Exclusivity. The Electronic Filing Service shall be the only electronic tax return filing service, direct deposit service and RAL Service offered by Franchisee, and Franchisee shall use no system other than Block's System and no lending institution other than Bank in the conduct of the Electronic Filing Service. However, notwithstanding the foregoing prohibition, Franchisee may test other programs during the term of this Agreement, for pilot study purposes only, provided that Franchisee obtains Block's written permission in advance of any such test (which permission shall not be unreasonably withheld) and provided also that no such test shall include an actual transmission of tax return data to the IRS. Franchisee shall obtain from each Participating Subfranchisee an agreement that such Participating Subfranchisee shall use no system other than Block's System and no lending institution other than Bank in the conduct of the electronic filing service to be operated by such Participating Subfranchisee.

18. Disclaimer of Warranties. Block makes no representation or warranty as to the reliability or fitness of Block's System or as to the success or profitability to Franchisee of the Electronic Filing Service to be conducted hereunder by Franchisee, or that in the future the electronic filing of tax returns, the direct deposit of income tax refunds or refund anticipation loans will be permitted by the IRS or that Block will continue to offer its System for such services. **BLOCK DISCLAIMS ALL WARRANTIES, WHETHER EXPRESS OR IMPLIED, WITH RESPECT TO BLOCK'S SYSTEM AND THE ELECTRONIC FILING SERVICE.**

Notwithstanding the foregoing, if (a) this Agreement terminates by reason of the expiration of the term specified in Section 4 herein and not due to any other reason specified in Section 21 herein, (b) the IRS permits the electronic filing of 1992 tax returns in 1993, and (c) Block offers the electronic filing of 1992 tax returns to its customers in 1993, Block agrees to use its best efforts to continue to offer to Franchisee during the 1993 tax-filing season the availability of Block's System, as modified for the transmission of tax year 1992 tax returns,

for use with the hardware meeting the exact configurations specified by Block pursuant to Section 9 herein, provided that, after the date of this Agreement, no agreement between Block and Franchisee pertaining to the Electronic Filing Service and Franchisee's use of Block's System terminates for any reason other than the expiration of the term set forth therein.

19. Limitation of Block's and CompuServe's Liability; Indemnification. Neither Block nor CompuServe shall be liable to Franchisee or to any other party for any loss, damage or expense arising out of or resulting from the nonoccurrence of the conditions precedent set forth in Section 3; the performance or nonperformance of Block's System or any delay in performance of such System; any failure of CompuServe to perform its obligation in connection with any transmission of data; any failure of Bank, for whom Franchisee acknowledges Block is not an agent, to perform its obligations in connection with the RAL Service; Franchisee's use of Block's System; or Franchisee's operation of the Electronic Filing Service. However, Block shall use its best efforts to be diligent and efficient and use its best efforts to accomplish such procedures set forth in Section 3 and for the performance of Block's System.

Franchisee shall bear all responsibility for the accuracy and timeliness of the Customer Data transmitted by Franchisee to CompuServe for further transmission to the IRS or Bank, as the case may be. Franchisee shall assume sole responsibility and liability for, and shall indemnify Block, CompuServe and Bank against, and shall hold them harmless from, any loss, cost, damage or expense (including, without limitation, the payment of penalties or interest pursuant to (1) the H & R Block guarantee described in the H & R Block Policy and Procedure Manual, or (11) the requirements of the IRS in connection with the electronic filing of individual income tax returns) arising out of or resulting from (a) any act, error or omission committed by Franchisee or Franchisee's agents, employees or Participating Subfranchisees in the preparation of any tax return for which the Electronic Filing Service is utilized; (b) any act, error or omission committed by Franchisee or Franchisee's agents, employees or Participating Subfranchisees in the conduct of the Electronic Filing Service; (c) any loss, alteration, misuse or improper issuance or delivery of RAL disbursement checks, whether by Franchisee or Franchisee's agents or employees, Participating Subfranchisees or any third person, resulting from any occurrence after any delivery of such checks to Franchisee and prior to, or concurrent with, Franchisee's or Participating Subfranchisee's delivery of any such check to an RAL Customer; or (d) Franchisee's performance of Franchisee's obligations under this Agreement, including, but not limited to, Franchisee's obligation to transmit to CompuServe in a timely manner accurate Customer Data.

20. Assignability. This Agreement may not be assigned by Franchisee, by operation of law or otherwise, without the prior written consent of Block.

21. Termination. This Agreement shall terminate:

a. Immediately upon the termination of the Major Franchise Agreement under which an Electronic Filing Service has been conducted. If Franchisee has operated an Electronic Filing Service under one or more separate Major Franchise Agreements and some, but not all, of such separate Major Franchise Agreements are terminated, this Agreement shall terminate only with respect to those separate Major Franchise Agreements that have been terminated. If Block and Franchisee are parties to one or more addenda to any such separate Major Franchise Agreement, and one or more such addenda are terminated separately from the separate Major Franchise Agreement, this Agreement and the rights granted to Franchisee herein shall terminate only with respect to the addenda which have been terminated, and such terminated addenda shall no longer be considered to be a part of the separate Major Franchise Agreement for purposes of this Agreement;

b. Immediately upon any termination of the Computer Services Agreement between Block and CompuServe relating to the Electronic Filing Service unless Block continues to otherwise provide the services herein provided. In the event this Agreement is terminated pursuant to this Subsection 21(b) prior to April 30, 1992, Franchisee shall have the right to secure another transmitting service in place of CompuServe or any substitute program to continue Franchisee's conduct of an electronic filing service;

c. On any termination date specified in a written mutual termination agreement executed by Block and Franchisee;

d. Immediately upon (1) any denial by the IRS of acceptance of Franchisee into the 1992 electronic filing program, (2) any suspension by the IRS of Franchisee from the 1992 electronic filing program, or (3) any general refusal by the IRS to accept tax returns from Block, CompuServe and/or Franchisee for filing electronically. If a Participating Subfranchisee has been denied acceptance by the IRS into the 1992 electronic filing program or suspended by the IRS from such program, or if there is a general refusal by the IRS to accept tax returns from a Participating Subfranchisee for filing electronically, and such denial, suspension or refusal does not also prohibit or suspend Franchisee's participation in the 1992 electronic filing program, this Agreement and the rights granted to Franchisee herein shall terminate immediately upon such denial, suspension or refusal, but only with respect to such Participating Subfranchisee.

e. In the event of Franchisee's material and substantial breach of the terms of this Agreement, provided that, prior to such termination, Block shall provide written

notice of the breach to Franchisee and, if the breach is one that is curable, Franchisee shall have 15 days from the date such notice is given to cure such breach. If the breach is a breach which is not curable, this Agreement shall terminate immediately upon the giving of notice of the breach;

f. In the event that a material breach committed by a Participating Subfranchisee of any of the provisions of this Agreement that are relevant to such Participating Subfranchisee continues for twenty days after Block notifies Franchisee of such breach; or

g. At the end of the term specified in Section 4 of this Agreement.

22. Obligations Surviving Termination. Franchisee agrees that if Franchisee becomes obligated during the term of this Agreement to pay any sums to Block or to submit any reports to Block, and such sums have not been paid or such reports have not been submitted as of the date this Agreement terminates, such obligations shall continue in effect despite the termination of this Agreement. Franchisee further agrees that the "Licensed Mark" referred to in Section 6 of this Agreement will continue to be a Licensed Mark under Paragraph 1 of the Major Franchise Agreement despite the termination of this Agreement, and that the restrictions on the advertising of the Electronic Filing Service contained in Section 6 of this Agreement will continue after the termination of this Agreement. Franchisee also agrees that the restrictions set forth in Section 11 of this Agreement concerning the treatment by Franchisee and Franchisee's Participating Subfranchisees of the licensed materials and proprietary information described in Section 11 shall continue after the termination of this Agreement. Subject to the conditions set forth in Section 18 of this Agreement, Block agrees that its obligation pursuant to such Section to use its best efforts to continue to offer to Franchisee the use of Block's System for the electronic filing of 1992 tax returns during the 1993 tax-filing season shall survive the termination of this Agreement. Block agrees that nothing in this Agreement shall be construed to preclude Franchisee from offering a service to Franchisee's customers consisting of the electronic filing of tax return information, the direct deposit of tax refunds and/or a refund anticipation loan service under the terms and conditions of the Major Franchise Agreement after the termination of this Agreement even though Franchisee uses different software, hardware, and transmission facilities than Block uses, provided the services offered by Franchisee meet Block's quality standards.

23. Employees. The personnel of each party performing activities pursuant to, or in connection with, this Agreement shall remain the employees or agents of that party and shall not be considered employees or agents of the other party. Each party assumes full responsibility for the actions of its personnel in performing services pursuant to this Agreement and shall be solely responsible for their supervision, control and direction.

24. Relation of Parties. Nothing herein shall be deemed to create any principal-agent, partnership, joint venture or relationship between the parties other than the relationship of franchisor and franchisee or of licensor and licensee, and neither party shall have any right or authority to bind the other party or to incur any expense or liability whatsoever on behalf of the other party. Neither party shall be liable to any person whomsoever for any debts incurred by the other party.

25. Notices. All notices required or given hereunder shall be in writing and shall be deemed sufficiently served by mailing, postage prepaid, via certified or registered mail, with respect to Franchisee, to the address shown below, and with respect to Block, to H & R Block, Inc., 4410 Main Street, Kansas City, Missouri 64111, Attention: Ms. Linda Jordan, or to such other address(es) that may hereafter be designated by either party to the other, and shall be deemed to have been given as of the date so mailed.

26. Integration and Amendments. This Agreement, any executed addenda hereto, and the related provisions of any separate Major Franchise Agreement under which an Electronic Filing Service is to be conducted express fully the understanding and agreement of the parties hereto with respect to Franchisee's use of Block's System for the conduct of the Electronic Filing Service, and all prior understandings or commitments of any kind, whether oral or written, concerning the Electronic Filing Service or any other matter covered by this Agreement are hereby superseded and cancelled, with no further liabilities or obligations of the parties with respect thereto except as to (a) any monies due and unpaid between the parties to this Agreement at the time of the execution of this Agreement and (b) any liabilities or obligations which survive the termination of any prior Major Franchise Electronic Filing Agreement between the parties hereto by the express terms of such prior agreement. This Agreement may not be amended or modified other than by a written agreement executed by both parties.

27. Partial Invalidity. If any provision of this Agreement shall be determined to be invalid, illegal or incapable of being enforced by reason of any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect, and no provision of this Agreement shall be deemed to be dependent upon any other unless so expressed herein.

28. Waiver. No waiver of any term or condition of this Agreement shall be valid unless in writing and signed by the party to be bound thereby. No waiver of any term or condition hereof with respect to any act or event shall be deemed to be a waiver of such term or condition with respect to any subsequent act or event.

29. Applicable Law. This Agreement shall be construed according to the laws of the State of Missouri unless any rule of law or public policy of the state in which the Electronic Filing Service is conducted requires that this entire Agreement, or a specific provision hereof, be governed by the laws of such state.

30. Time Of The Essence. Time shall be of the essence as to all reports to be made to Block and all fees to be paid to Block.

31. Binding Effect. This Agreement shall be binding upon and enure to the benefit of the parties hereto and their respective successors, assigns, heirs, executors, administrators and legal representatives, provided, however, that nothing herein shall be deemed to waive the provision of Section 20 hereof. This Agreement shall not be binding on either Block or Franchisee until it has been executed by Franchisee and an executive officer of Block.

32. Headings. The headings of the various sections of this Agreement have been inserted for reference only and shall not be deemed to be a part of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year first above written.

ATTEST:

H & R BLOCK, INC.

Assistant Secretary

By _____
Vice President

ATTEST OR WITNESS:

Franchisee

By _____
(Title)

Address

City, State, Zip Code

**SATELLITE FRANCHISE
ELECTRONIC FILING AGREEMENT**

THIS AGREEMENT is entered into as of the _____ day of _____, 1991, by and between H & R Block (_____), Inc., a _____ corporation ("Block") and _____ ("Franchisee").

WHEREAS, Block and Franchisee are parties to a Satellite Franchise Agreement or Satellite Franchise Agreements identified by date(s), franchise territory or territories and location code(s) as follows:

<u>Date</u>	<u>Franchise Territory</u>	<u>Location Code</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

(all of which may be referred to collectively as the "Satellite Franchise Agreement" or may be referred to separately as "each separate Satellite Franchise Agreement," as the context requires); and

WHEREAS, Block is willing to permit Franchisee to use, and Franchisee desires to use a system developed by Block ("Block's System") by which Franchisee may provide to Franchisee's customers services (jointly referred to herein as the "Electronic Filing Service") consisting of (1) the electronic filing of income tax return information with the Internal Revenue Service ("IRS") and, in some cases, with state income tax authorities; (2) the direct deposit by the IRS of a customer's income tax refund into his or her bank account; and (3) the "RAL Service," which includes the electronic transmission to a lending institution ("Bank") designated by Block of income tax return information and other information necessary for a customer to apply to Bank for a refund anticipation loan ("RAL"), the electronic transmission of the approval or rejection of the RAL application from Bank to Block or Franchisee, the issuance of an RAL disbursement check to an approved applicant and the deposit by the IRS of such customer's income tax refund into the customer's designated account at Bank; and

WHEREAS, subject to modification pursuant to Section 17 herein, Franchisee may make use of Block's System to provide the Electronic Filing Service to Franchisee's eligible customers through one of three methods, to wit, (1) by accessing a computer or computers to Block's System, entering income tax return information, direct deposit information and any RAL application information (which information will hereafter be jointly referred to

as "Customer Data") on such computer(s) and transmitting to CompuServe Incorporated (or any other telecommunications businesses used by Block in connection with Block's System, all of which shall be jointly referred to herein as "CompuServe") such Customer Data (which optional method shall hereafter be referred to as the "PC Option"); (2) by delivering Customer Data and such documentation as is required by Block to a Block processing center designated by Block from which Block will transmit such Customer Data to CompuServe (which optional method shall hereafter be referred to as the "Messenger Option"); or (3) by delivering Customer Data and such documentation as is required by Block to "Franchisee's Agent" who holds a franchise from Block to engage in the business of preparing tax returns and performing "Related Services" under Block's names and service marks and who agrees with Franchisee (with Block's approval) to transmit such Customer Data to CompuServe on Franchisee's behalf (which optional method shall hereafter be referred to as the "Courier to PC Option");

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements set forth herein, the parties agree as follows:

1. Term. Unless terminated earlier as hereinafter provided, (1) the initial term of this Agreement shall be for a period commencing on the later of September 1, 1991, or the date of this Agreement and ending on August 31, 1992, and (2) this Agreement shall, on each September 1 thereafter be automatically renewed for successive renewal terms of one year each.

2. Use of System. Subject to the terms and conditions set forth below, and the terms and conditions of the Satellite Franchise Agreement, Block agrees to permit Franchisee to use Block's System during the term of this Agreement to provide the Electronic Filing Service to Franchisee's customers. Franchisee hereby elects to provide the Electronic Filing Service to Franchisee's customers by means of the _____ Option described above. Franchisee shall not utilize any other optional method to provide the Electronic Filing Service through use of Block's System without the prior written consent of Block. If the "Courier to PC Option" has been elected by Franchisee, "Franchisee's Agent" shall be _____, whose franchise territory is _____.

Block may from time to time announce that other methods of use of Block's System or new services added to the services comprising the Electronic Filing Service are available to Franchisee. In any such event, Franchisee may change to a new method or add such new services in accordance with procedures specified by Block.

During the initial term and any renewal term of this Agreement, Block's System may be used by Franchisee to provide to

Franchisee's customers each separate service comprising the Electronic Filing Service only during that portion of such term in which Block's System is made available by Block for use at Block's Company-owned offices to provide such service to Block's customers. Block shall announce in The Block Connection or any other written communication mailed to participating franchise owners any dates established by Block as the first date or last date during such term that a particular service may be provided by Franchisee to Franchisee's customers through the use of Block's System. Any such announcement shall not constitute a "notice" required or given under this Agreement and need not meet the notice requirements set forth in Section 24 herein.

3. Conditions Precedent. Block and Franchisee agree that this Agreement, and their respective rights and obligations during the initial term and each renewal term hereunder, are expressly conditioned upon (a) Block's being accepted by the IRS to participate in the electronic filing program for the "Tax Season" (the period from the first Monday after January 1 through the last date on which individual federal income tax returns for the preceding year may be filed without an extension of time or incurring any penalty for late filing) included in such term; (b) Franchisee's being accepted by the IRS to participate in the electronic filing program for the Tax Season included in such term; and (c) Franchisee's satisfactory completion during such term of such training in the use and operation of Block's System as is determined by Block to be necessary.

4. Integration With Franchise Agreement. The parties hereto agree that the Electronic Filing Service and each separate service which is a part thereof constitute "Related Services," as such term is defined in the Satellite Franchise Agreement, and that all provisions in each separate Satellite Franchise Agreement under which the Electronic Filing Service is conducted which pertain to Related Services shall pertain to the Electronic Filing Service. Any provision in this Agreement pertaining to the Electronic Filing Service which differs from any related provision of the Satellite Franchise Agreement pertaining to Related Services shall constitute an amendment to the Satellite Franchise Agreement solely with respect to the Electronic Filing Service. Franchisee's material and substantial breach of the terms of this Agreement shall entitle Block, in addition to all other remedies for such breach herein provided, to terminate each separate Satellite Franchise Agreement to which the breach relates in accordance with the terms thereof.

5. Licensed Marks; Advertising. The parties hereto agree that any name or logotype used by Block in connection with the Electronic Filing Service shall constitute a "Licensed Mark," as such term is defined in the Satellite Franchise Agreement. Franchisee agrees to use the name or names and/or logotype or logotypes selected by Block for use by Block and Franchisee in describing or marketing the Electronic Filing Service, and Fran-

chisee agrees not to use any other name or logotype in connection with the Electronic Filing Service without the express written consent of Block. Franchisee shall not publish or release any communication relating to the Electronic Filing Service (a) inferring a special relationship between (1) the IRS, the Financial Management Service and/or the Department of the Treasury, and (11) Franchisee, Block, CompuServe, Bank and/or any other person or entity, or (b) inferring endorsement of the Electronic Filing Service, Block's services, Franchisee's services, Bank's services or Block's System by the IRS, the Financial Management Service or the Department of the Treasury. All communications relating to the Electronic Filing Service shall comply with the then current IRS Revenue Procedures or other IRS announcements or publications containing the obligations of participants in the electronic filing program and the specifications for the electronic filing of income tax returns (the "Specifications") and any other rules, regulations or restrictions issued by the IRS.

6. Grant Of License (PC Option Only). If Franchisee makes use of Block's System by means of the PC Option, Block hereby grants Franchisee a revocable license to use the software and user's guide furnished by Block to Franchisee pursuant to Section 7, below, for the sole purpose of conducting the Electronic Filing Service, subject to the limitations and restrictions set forth in this Agreement.

7. Items To Be Furnished By Block (PC Option Only). If Franchisee has elected to use Block's System under the PC Option, and if Franchisee has satisfactorily completed such training as is provided by Block pursuant to this Section 7, Block shall provide Franchisee each year during the term of this Agreement with one copy of the software developed as a part of Block's System for use with computers in entering and correcting Customer Data of Franchisee's Electronic Filing Service customers and transmitting such Customer Data to CompuServe, and one copy of a user's guide to such software. During the initial term and each renewal term of this Agreement, Block shall provide Franchisee with such training in the use and operation of Block's System and such technical and software support as is determined by Block to be necessary. Any training to be provided by Block shall be held on such dates, at such times, and at such locations as are designated by Block.

8. Restrictions On Use Of Proprietary Material (PC Option Only). Franchisee agrees that the license granted by Block to Franchisee herein entitles Franchisee to use the licensed materials, and Franchisee agrees to use such materials, only to operate the Electronic Filing Service, and Franchisee further agrees that, unless expressly authorized herein to do so, Franchisee

a. Will not, without the prior written consent of Block, copy or otherwise reproduce, modify, sell or exchange

such materials, or transmit (by telephone lines or otherwise), give away, or disclose such materials to any other person or firm, or permit any other person or firm to do so;

b. Will not license or permit any other person or firm to use such materials; and

c. Will not, without the prior approval of Block, contract with any person or firm engaged in the conduct of a tax return preparation service to provide a transmission service for such person or firm, and will not use the materials furnished by Block for the benefit of or to assist such person or firm in the conduct of such tax return preparation service.

If requested by Block, Franchisee agrees to (1) return to Block all copies of Block's System software and/or all copies of any user's guide to such software, whether or not such software or guide was furnished by Block, upon the expiration of the initial or any renewal term of this Agreement or upon the termination of this Agreement and (2) execute a certificate, in a form required by Block, that no copies of such software and/or guide have been retained by Franchisee.

Franchisee has read and considered the foregoing restrictions carefully and acknowledges that such restrictions are fair and reasonable and are reasonably required for the protection of the interests of Block. Franchisee further acknowledges that this Agreement would not be entered into by Block except upon the condition that such restrictions be included herein and that they be enforceable, in the event of a breach by Franchisee, by injunctive relief.

9. Hardware (PC Option Only). If Franchisee has elected the PC Option, Franchisee will furnish, install and operate, at Franchisee's own expense, the computers, modems and printers ("hardware") necessary for Franchisee to enter Customer Data, to transmit such Customer Data to CompuServe and to receive and print communications from Block or CompuServe concerning such Customer Data. Such hardware must either meet the exact hardware configurations specified by Block for use with Block's System (which exact hardware configurations shall include, but not be limited to, brand names, types, models and storage capacity) or be hardware compatible thereto with which Block's System and its software will operate, provided that Block's obligation to provide technical and software support services pursuant to Section 7, above, is conditioned upon Franchisee's hardware meeting the exact configurations specified by Block. Hardware meeting the exact configurations specified by Block may be purchased by Franchisee through Block's Supply Department in accordance with such procedures and deadlines as may be established by Block. If the price of the hardware has not been determined at the time an order for such hardware is placed, Block will advise Franchisee

of the price as soon thereafter as the price can be determined and at least 10 days prior to shipment, and if such price is not acceptable to Franchisee, Franchisee may cancel the order within five days after Franchisee has been advised of the price. If the hardware is purchased through Block's Supply Department, Franchisee will be responsible for any freight charges (as determined by Block) not paid by the supplier. Block will invoice Franchisee for the hardware and any freight charges and payment of such invoice will be due 10 days after the date of invoice.

10. Transaction Fee And Other Expense To Be Borne By Franchisee. Subject to modification pursuant to Section 17 herein, Franchisee shall pay to Block a transaction fee ("Transaction Fee") of \$2.25 for each tax return successfully transmitted for a customer of Franchisee, as evidenced by an acknowledgement by the IRS of acceptance of such return for filing.

In addition to the Transaction Fees mentioned above, the expense, if any, of furnishing, installing and operating the hardware referred to in Section 9, above, the Service Fees, if any, referred to in Section 11, below, and any processing or other fees relating to the RAL Service mentioned in Section 16, below, Franchisee shall pay all expense relating to the Electronic Filing Service other than any expense for which Block is expressly obligated under the terms of the Satellite Franchise Agreement. The expense to be paid by Franchisee includes, but is not limited to, wages and commissions paid to employees of Franchisee who assist in the operation of the Electronic Filing Service; such freight charges (as determined by Block), if any, associated with the shipment from Block to Franchisee of the software and user's guide referred to in Section 7, above, if Franchisee has elected the PC Option; such charges, if any, that may be made by Franchisee's Agent to Franchisee, if Franchisee has chosen the Courier to PC Option, for transmitting Customer Data to CompuServe; and all costs associated with delivery from Franchisee to Block or from Block to Franchisee, or, if applicable, between Franchisee's Agent and Franchisee of (a) Customer Data, (b) any RAL disbursement checks or (c) any documents relating to the Electronic Filing Service as are required by Block.

11. Service Fee (Messenger Option Only). If Franchisee has elected the Messenger Option, Franchisee shall pay to Block a fee (the "Service Fee") for the services to be rendered by Block in entering Customer Data received from Franchisee into computers operated by Block, editing such Customer Data, transmitting Customer Data to CompuServe, processing documents required by the IRS in connection with the Electronic Filing Service, and providing to Franchisee such management reports regarding Franchisee's Electronic Filing Service as are determined by Block to be necessary. Subject to modification pursuant to Section 17 herein, the Service Fee shall be \$3.25 for each tax return successfully transmitted for a customer of Franchisee, as evidenced by an acknowledgement by the IRS of acceptance of such return for filing.

12. Royalties. Except as otherwise provided in this Section 12, all of Franchisee's gross receipts from the Electronic Filing Service shall be subject to royalties payable by Franchisee to Block at the times and at the royalty rate specified in each separate Satellite Franchise Agreement. It is expressly understood and agreed that the gross receipts from the Electronic Filing Service are in addition to, and not in lieu of, the gross receipts derived by Franchisee from the preparation of the tax returns that are filed electronically, and that, except as provided in this Section 12, the total of all such receipts shall be deemed to be Franchisee's gross receipts for the purpose of calculating franchise royalties payable by Franchisee to Block under the applicable, separate Satellite Franchise Agreement.

If Franchisee has elected the PC Option, Franchisee's gross receipts from the Electronic Filing Service shall include any sums received by Franchisee from any other holder of a satellite franchise granted by Block for whom, with Block's approval, Franchisee acts as an agent in the conduct of said franchise holder's electronic filing service, for the transmission by Franchisee of Customer Data of said franchise holder's customers to CompuServe through use of Franchisee's hardware and Block's System, but only to the extent that such sums exceed \$3.25 per tax return so transmitted by Franchisee on behalf of said franchise holder.

13. Reports. Within the time period after the end of each Reporting Period in which Franchisee, by the terms of each separate Satellite Franchise Agreement, is required to submit to Block reports of Franchisee's gross receipts from the preparation of income tax returns and the performance of Related Services for such Reporting Period, Franchisee shall also submit to Block such reports as may be required by Block in connection with the Electronic Filing Service. Franchisee shall keep books and records relating to the Electronic Filing Service which are separate and distinct from books and records pertaining to tax return preparation, other Related Services, and any Additional Services offered to the public by Franchisee, and such books and records shall be open to inspection by Block during regular business hours.

14. Payment of Fees and Royalties. The Transaction Fee, Service Fee, royalties due pursuant to Section 12 herein and any processing or other fees relating to the RAL Service mentioned in Section 16 are independent of each other and are cumulative. All of such fees and royalties shall be due and payable by Franchisee at the same times that royalties on Franchisee's gross receipts are due and payable pursuant to each separate Satellite Franchise Agreement. Time shall be of the essence as to all reports to be made to Block and all fees and royalties to be paid by Franchisee to Block. All of such fees and royalties are exclusive of sales tax, use tax, or any similar tax imposed by any unit of government. In the event that any such tax is imposed upon any such fee or royalty, or upon any transaction charges

attributable to tax returns of Franchisee's customers which Block must pay to CompuServe, Franchisee agrees to pay such tax.

15. Franchisee's Conduct Of Business. Except for the obligations of Block specified herein or in the Satellite Franchise Agreement, the operation of the Electronic Filing Service shall be solely the responsibility of Franchisee. Franchisee agrees to conduct the Electronic Filing Service in full compliance with (a) all provisions of this Agreement and the Satellite Franchise Agreement; (b) the Specifications and any other rules or regulations published by the IRS relating to the electronic filing of tax returns and the direct deposit of income tax refunds; (c) any other applicable laws, rules or regulations of any federal, state or local governmental body; and (d) the procedures, guidelines and restrictions adopted by Block for Franchisee's conduct of the Electronic Filing Service and Franchisee's use of Block's System. Franchisee acknowledges and agrees that any such procedures, guidelines and restrictions adopted by Block may, at Block's discretion, differentiate Franchisee from other H & R Block franchise owners utilizing Block's system on the basis of the optional method of use of Block's System selected by Franchisee, the location, volume history or other characteristic of Franchisee's franchise operation or the duration of Franchisee's participation in the electronic filing program.

16. RAL Service. Franchisee agrees to comply with any obligations or restrictions imposed upon Block pursuant to the terms of any agreement pertaining to the RAL Service to which Block and Bank are parties (the "Bank Agreement"), except to the extent otherwise expressly provided in such Bank Agreement or in the procedures, guidelines and restrictions adopted by Block for the conduct of the Electronic Filing Service. Franchisee's obligation with respect to the RAL Service includes, but is not limited to, compliance with all provisions found in the Bank Agreement, Specifications, laws, procedures, guidelines and restrictions that relate to Franchisee's care, custody, handling, issuance and/or delivery of RAL disbursement checks and the processing, under appropriate circumstances, of stop payment orders relating to RAL disbursement checks. Upon termination of the Bank Agreement, Franchisee's RAL Service shall terminate.

Franchisee agrees to pay any RAL processing fee or other fee imposed by Bank upon Block or Franchisee for the services of Bank in processing an RAL application and/or providing a Refund Anticipation Loan to an RAL customer of Franchisee. In no event shall any fee paid by Franchisee pursuant to this Section 16 with respect to any customer of Franchisee's RAL Service exceed the fee which Block would be required to pay to Bank pursuant to the Bank Agreement if such customer were a customer of Block's RAL Service.

In the event of Franchisee's failure to comply with the obligations imposed upon Franchisee in this Section 16, Franchi-

see's right to use Block's System pursuant to this Agreement for purposes of providing the RAL Service to Franchisee's customers may, at Block's discretion, be terminated immediately upon written notice from Block to Franchisee of such failure.

17. Modifications by Block. Effective on September 1 of any renewal term, Block shall have the right to (1) eliminate or modify any of the optional methods of Franchisee's use of Block's System; (2) eliminate or modify any of the services which comprise the Electronic Filing Service; (3) change the exact hardware configurations for hardware to be used with Block's System; (4) change the amount of the Transaction Fee; or (5) change the amount of the Service Fee. If Block elects to make any of the foregoing modifications, Block shall notify Franchisee on or before July 15 of the initial term or renewal term immediately preceding the renewal term in which such modification shall become effective (which preceding initial term or renewal term shall be referred to herein as the "Preceding Term").

If (1) Franchisee utilized the eliminated or modified optional method of use of Block's System during the Preceding Term, (2) a service comprising the Electronic Filing Service during the Preceding Term is eliminated or substantially modified, (3) the exact hardware configurations specified for use with Block's System are substantially modified and Franchisee utilized the PC Option during the Preceding Term, (4) the Transaction Fee is increased or (5) the Service Fee is increased and Franchisee utilized the Messenger Option during the Preceding Term, then Franchisee shall have the right to terminate this Agreement upon giving written notice to Block on or before August 31 of the Preceding Term.

18. Exclusivity. The Electronic Filing Service shall be the only electronic tax return filing service, direct deposit service and refund anticipation loan service offered by Franchisee, except as may be expressly permitted by Block in writing, and Franchisee shall use no system other than Block's System, no transmission facilities other than CompuServe's communication lines, and no lending institution other than Bank in the conduct of the Electronic Filing Service.

19. Disclaimer of Warranties. Block makes no representation or warranty as to the reliability or fitness of Block's System or as to the success or profitability to Franchisee of the Electronic Filing Service to be conducted hereunder by Franchisee, or that in the future the electronic filing of tax returns, the direct deposit of income tax refunds or refund anticipation loans will be permitted by the IRS or that Block will continue to offer its System for electronic filing. **BLOCK DISCLAIMS ALL WARRANTIES, WHETHER EXPRESS OR IMPLIED, WITH RESPECT TO BLOCK'S SYSTEM AND THE ELECTRONIC FILING SERVICE.**

20. Limitation Of Block's and CompuServe's Liability; Indemnification. Neither Block nor CompuServe shall be liable to Franchisee or to any other party for any loss, damage or expense arising out of or resulting from the nonoccurrence of the conditions precedent set forth in Section 3; the performance or nonperformance of Block's System or any delay in performance of such System; any failure of Franchisee's Agent to promptly and accurately transmit Customer Data to CompuServe on behalf of Franchisee; any failure of CompuServe to perform its obligations in connection with any transmission of data; any failure of Bank, for whom Franchisee acknowledges Block is not an agent, to perform its obligations in connection with the RAL Service; Franchisee's use of Block's System; or Franchisee's operation of the Electronic Filing Service.

Franchisee shall bear all responsibility and liability for the accuracy and timeliness of the Customer Data (1) transmitted by Franchisee to CompuServe, if operating under the PC Option, (2) delivered by Franchisee to Block for transmission to CompuServe, if operating under the Messenger Option, or (3) delivered by Franchisee, if operating under the Courier to PC Option, to Franchisee's Agent for transmission to CompuServe and transmitted by Franchisee's Agent to CompuServe.

Franchisee shall assume sole responsibility and liability for, shall indemnify Block, CompuServe and Bank against, and shall hold them harmless from, any loss, cost, damage or expense (including, without limitation, the payment of penalties or interest pursuant to (1) the H & R Block guarantee described in the H & R Block Policy and Procedure Manual, or (ii) the requirements of the IRS in connection with the electronic filing of individual income tax returns) arising out of or resulting from (a) any act, error or omission committed by Franchisee or Franchisee's agents or employees in the preparation of any tax return for which the Electronic Filing Service is utilized; (b) any act, error or omission committed by Franchisee or Franchisee's agents or employees in the conduct of the Electronic Filing Service; (c) any loss, alteration, misuse or improper issuance or delivery of RAL disbursement checks, whether by Franchisee or Franchisee's agents or employees, or any third person, resulting from any occurrence after any delivery of such checks to Franchisee and prior to, or concurrent with, Franchisee's delivery of any such check to the RAL customer; (d) any act, error or omission committed by Franchisee's Agent in entering Customer Data into said Agent's computer or in transmitting such Customer Data to CompuServe; or (e) Franchisee's performance of Franchisee's obligations under this Agreement, including, but not limited to, Franchisee's obligation to transmit to CompuServe or deliver to Block or Franchisee's Agent, as the case may be, accurate Customer Data in a timely manner.

21. Termination. This Agreement shall terminate:

a. Immediately upon the termination of the Satellite Franchise Agreement under which any Electronic Filing

Service has been conducted. If Franchisee has operated an Electronic Filing Service under one or more separate Satellite Franchise Agreements and some, but not all, of such separate Satellite Franchise Agreements are terminated, this Agreement shall terminate by reason of this Subsection 21a only with respect to those separate Satellite Franchise Agreements that have been terminated. If Block and Franchisee are parties to one or more addenda to the Satellite Franchise Agreement, and one or more such addenda are terminated separately from the Satellite Franchise Agreement, this Agreement and the rights granted to Franchisee herein shall terminate only with respect to the addenda which have terminated, and such terminated addenda shall no longer be considered to be a part of the Satellite Franchise Agreement for purposes of this Agreement;

b. At Block's option, immediately upon any termination of the Computer Services Agreement between Block and CompuServe relating to the Electronic Filing Service;

c. If Franchisee has elected the Courier to PC Option, immediately upon any termination of a separate agreement between Block and Franchisee's Agent under which Franchisee's Agent is authorized to conduct an Electronic Filing Service using Block's System in said Agent's own franchise territory or territories;

d. On any termination date specified in a written mutual termination agreement executed by Block and Franchisee;

e. Immediately upon (1) any denial by the IRS of acceptance of Franchisee into the electronic filing program, (2) any suspension by the IRS of Franchisee from the electronic filing program, or (3) any general refusal by the IRS to accept tax returns from Block, CompuServe, Franchisee or Franchisee's Agent for filing electronically;

f. At Franchisee's option, in accordance with Section 17 of this Agreement;

g. In the event of Franchisee's material and substantial breach of the terms of this Agreement, provided that, prior to such termination, Block shall provide written notice of the breach to Franchisee and, if the breach is one that is curable, Franchisee shall have 15 days from the date such notice is given to cure such breach. If the breach is a breach which is not curable, this Agreement shall terminate immediately upon the giving of notice of the breach; or

h. By either party hereto, at the end of the initial term or any renewal term specified in Section 1 of this Agreement, upon written notice given to the other party at least 60 days prior to the expiration of such term.

22. Obligations Surviving Termination. The obligations of Franchisee pursuant to Sections 5, 8, 9, 10, 11, 12, 13, 14, 16 and 20 shall continue following termination of this Agreement.

23. Relation Of Parties. Nothing herein shall be deemed to create any principal-agent, partnership, joint venture or relationship between the parties other than the relationship of franchisor and franchisee (and of licensor and licensee in the case of a franchisee operating pursuant to the PC Option), and neither party shall have any right or authority to incur any expense or liability whatsoever on behalf of the other party without such other party's prior written consent. Neither party shall be liable to any person whomsoever for any debts incurred by the other party.

24. Notices. Except as provided in this Section 24, all notices required or given hereunder shall be in writing and shall be deemed sufficiently served by mailing, postage prepaid, via certified or registered mail, with respect to Franchisee, to the address shown below, and with respect to Block, to H & R Block, Inc., 4410 Main Street, Kansas City, Missouri 64111, Attention: Ms. Linda Jordan, or to such other address(es) that may hereafter be designated by either party to the other, and shall be deemed to have been given as of the date so mailed. Notice by Block to Franchisee pursuant to Section 17 of this Agreement shall be deemed sufficiently served by Block's mailing, postage prepaid, via first or third class mail, to Franchisee's address shown below (or to such other address(es) that may hereafter be designated by Franchisee) on or before July 15 of the Preceding Term, The Block Connection or any other written communication containing the information concerning the specified modifications and such notice shall be deemed to have been given by Block as of the date such publication or other written communication is so mailed.

25. Integration And Amendments. This Agreement, any executed addenda hereto, and the related provisions of any separate Satellite Franchise Agreement under which an Electronic Filing Service is to be conducted express fully the understanding and agreement of the parties hereto with respect to Franchisee's use of Block's System for the conduct of the Electronic Filing Service, and all prior understandings or commitments of any kind, whether oral or written, concerning the Electronic Filing Service or any other matter covered by this Agreement are hereby superseded and cancelled, with no further liabilities or obligations of the parties with respect thereto except as to (a) any monies due and unpaid between the parties to this Agreement at the time of the execution of this Agreement and (b) any liabilities or obligations which survive the termination of any prior Satellite Franchise Electronic Filing Agreement between the parties hereto by the express terms of such prior agreement. Except as provided in Sections 2 and 17, this Agreement may not be amended or modified other than by a written agreement executed by both parties.

26. Partial Invalidity. If any provision of this Agreement shall be determined to be invalid, illegal or incapable of being enforced by reason of any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect, and no provision of this Agreement shall be deemed to be dependent upon any other unless so expressed herein.

27. Waiver. No waiver of any term or condition of this Agreement shall be valid unless in writing and signed by the party to be bound thereby. No waiver of any term or condition hereof with respect to any act or event shall be deemed to be a waiver of such term or condition with respect to any subsequent act or event.

28. Applicable Law. This Agreement shall be construed according to the laws of the State of Missouri unless any rule of law or public policy of the state in which the Electronic Filing Service is conducted requires that this entire Agreement, or a specific provision hereof, be governed by the laws of such state.

29. Binding Effect; Assignability. This Agreement shall be binding upon and enure to the benefit of the parties hereto and their respective successors, assigns, heirs, executors, administrators and legal representatives, provided, however, that this Agreement may not be assigned by Franchisee, by operation of law or otherwise, without the prior written consent of Block. This Agreement shall not be binding on either Block or Franchisee until it has been executed by Franchisee and an executive officer of Block.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year first above written.

H & R BLOCK (_____), INC.

By _____
Assistant Vice President

Franchisee

Address

City, State Zip Code