

H&R BLOCK INC
Form 8-K
March 21, 2007

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

**FORM 8-K
CURRENT REPORT**

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (date of earliest event reported): March 15, 2007

H&R BLOCK, INC.

(Exact name of registrant as specified in charter)

Missouri

1-6089

44-0607856

(State of Incorporation)

(Commission File Number)

(I.R.S. Employer
Identification Number)

One H&R Block Way, Kansas City, MO 64105

(Address of Principal Executive Offices) (Zip Code)

(816) 854-3000

(Registrant's telephone number, including area code)

Not Applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01. Entry into a Material Definitive Agreement

On March 15, 2007, Option One Loan Warehouse Corporation (OOLWC), a wholly owned indirect subsidiary of H&R Block, Inc. (the Company) and a direct wholly owned subsidiary of Option One Mortgage Corporation (OOMC), amended (i) the Second Amended and Restated Sale and Servicing Agreement dated as of March 8, 2005, as amended, among OOMC, OOLWC, Option One Mortgage Capital Corporation, Option One Owner Trust 2001-2 (the Trust) and Wells Fargo Bank N.A. (Wells Fargo), (ii) the Amended and Restated Note Purchase Agreement dated as of November 25, 2003, as amended, among OOLWC, the Trust and Bank of America, N.A. (BofA), and (iii) the Amended and Restated Indenture dated as of November 25, 2003, as amended, between the Trust and Wells Fargo.

Among other things, the amendment (i) extended the term of OOMC 's off-balance sheet financing arrangement with BofA (the BofA Warehouse Facility) to fund daily non-prime originations through March 14, 2008, and (ii) decreased the amount of funding available under the BofA Warehouse Facility from \$4,000,000,000 to \$2,002,000,000.

The BofA Warehouse Facility now provides funding totaling \$2,002,000,000 and bears interest at one-month LIBOR plus additional margin rates. The BofA Warehouse Facility is subject to various OOMC performance triggers, limits and financial covenants. These triggers, limits and covenants include a tangible net worth ratio, capital adequacy test, net income test and cross-default features in which a default under other arrangements to fund daily non-prime originations would trigger a default under the BofA Warehouse Facility. In addition, the BofA Warehouse Facility permits BofA at any time to require the Trust to redeem specified borrowed amounts outstanding under the BofA Warehouse Facility.

Under the BofA Warehouse Facility, non-prime loans originated by OOMC are sold daily to the Trust, which utilizes the BofA Warehouse Facility to purchase the loans. The Trust subsequently sells the loans directly to third-party investors or back to OOMC to pool the loans for securitization, as directed by its third-party beneficial interest holders. The decision to complete a whole loan sale or a securitization is dependent on market conditions. See

Off-Balance Sheet Financing Arrangements in Item 7 of the Company 's Form 10-K for the fiscal year ended April 30, 2006.

Certain parties to the BofA Warehouse Facility have other relationships with the Company or its affiliates. BofA and an affiliate of Wells Fargo are lending parties pursuant to two \$1,000,000,000 revolving credit facilities maintained by Block Financial Corporation (BFC), as borrower, and the Company, as guarantor, with various lenders.

Item 2.03. Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

The information set forth under Item 1.01 of this report on Form 8-K is incorporated in this Item 2.03 by reference.

Pursuant to the BofA Warehouse Facility, OOMC provides a guarantee up to a maximum of approximately 10% of the aggregate principal balance of mortgage loans held by the Trust before ultimate disposition. This guarantee would be called upon if the sale of mortgage loans did not generate adequate proceeds to satisfy the Trust's current or ultimate payment obligations. The maximum potential undiscounted amount of future payments that OOMC may be required to make pursuant to this guarantee would be approximately \$200,200,000.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

H&R BLOCK, INC.

Date: March 21, 2007

By: /s/ Bret G. Wilson
Bret G. Wilson
Vice President and Secretary