

MEDIA GENERAL INC
Form 11-K
June 24, 2016

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 11-K
FOR ANNUAL REPORTS OF EMPLOYEE STOCK PURCHASE, SAVINGS
AND SIMILAR PLANS PURSUANT TO SECTION 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

(Mark One):

ANNUAL REPORT PURSUANT TO SECTION 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2015

or

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission file number V-1799

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

MG ADVANTAGE 401(k) PLAN

B. Name of the issuer of the securities held pursuant to the plan and the address of its principal executive office:

MEDIA GENERAL, INC.
333 East Franklin Street
Richmond, Virginia 23219

Financial Statements
and Supplemental Schedule

MG Advantage 401(k) Plan

Years ended December 31, 2015 and 2014
with Report of Independent Registered Public Accounting Firm

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MG Advantage 401(k) Plan

Financial Statements
and Supplemental Schedules

Years Ended December 31, 2015 and 2014

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Report of Independent Registered Public Accounting Firm

To the Administrator of the
MG Advantage 401(k) Plan

We have audited the accompanying statements of net assets available for plan benefits of the MG Advantage 401(k) Plan (the "Plan") as of December 31, 2015 and 2014, and the related statements of changes in net assets available for plan benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for plan benefits of the Plan as of December 31, 2015 and 2014, and the changes in its net assets available for plan benefits for the years then ended, in conformity with accounting principles generally accepted in the United States.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental schedules are presented for the purpose of additional analysis and are not a required part of the financial statements, but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedules are the responsibility of the Plan's management. The supplemental schedules have been subjected to the auditing procedures applied in our audits of the financial statements. Our audit procedures included determining whether the supplemental schedules reconcile to the financial statements or the underlying accounting and other records, as applicable and performing procedures to test the completeness and accuracy of the information presented in the supplemental schedules. In forming an opinion on the supplemental schedules, we evaluated whether the supplemental schedules, including their form and content, are presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. In our opinion, the supplemental schedules are fairly stated in all material respects, in relation to the financial statements taken as a whole.

/s/ Keiter, Stephens, Hurst, Gary & Shreaves, P.C.

June 24, 2016
Glen Allen, Virginia

MG Advantage 401(k) Plan

Statements of Net Assets Available for Plan Benefits

	December 31, 2015	December 31, 2014
Assets		
Cash and cash equivalents	\$1,103,940	\$1,432,952
Investments, at fair value	371,097,336	235,395,031
Notes receivable from participants	5,574,549	2,889,239
Total assets	377,775,825	239,717,222
Liabilities		
Excess contributions	103,838	223,646
Net assets available for plan benefits	\$377,671,987	\$239,493,576

See accompanying notes.

MG Advantage 401(k) Plan

Statements of Changes in Net Assets Available for Plan Benefits

	Year ended December 31, 2015	Year ended December 31, 2014
Additions:		
Investment income:		
Interest and dividends	\$7,911,338	\$8,595,228
Net realized and unrealized depreciation in fair value of investments	(6,425,232) 1,486,106	(7,679,224) 916,004
Interest on notes receivable from participants	123,650	144,437
Contributions:		
Employer	2,880,803	3,153,507
Participants	9,136,686	7,633,306
Rollovers	636,034	1,814,786
	12,653,523	12,601,599
Total additions	14,263,279	13,662,040
Deductions:		
Distributions to participants	(37,460,367)	(33,926,856)
Net decrease in net assets available for plan benefits prior to transfers in		
	(23,197,088)	(20,264,816)
Transfers from the Young Broadcasting, LLC 401(k) Plan		
	—	65,544,909
Transfers from the LIN Media, LLC 401(k) Plan		
	161,375,499	—
Net assets available for plan benefits as of the beginning of the year	239,493,576	194,213,483
Net assets available for plan benefits as of the end of the year	\$377,671,987	\$239,493,576

See accompanying notes.

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MG Advantage 401(k) Plan
Notes to Financial Statements
December 31, 2015 and December 31, 2014

1. General

Media General, Inc. (the Company) is the Administrator of the MG Advantage 401(k) Plan (the Plan). Fidelity Management Trust Company (Fidelity) and its affiliates are the trustee, recordkeeper and investment manager of the Plan, pursuant to a trust agreement dated January 1, 2001. The investment fund options changed substantially during 2015. At December 31, 2015, the investment fund options included twelve T. Rowe Price funds, nine Fidelity funds (including four Spartan funds, the Managed Income Portfolio Class 1 Fund and the Brokerage Link Fund), two PIMCO funds, the American Beacon Small Cap Value Institutional Fund, the Dodge & Cox Stock Fund, the Invesco Diversified Dividend R5 Fund, the J. P. Morgan US Equity Institutional Fund, the Janus Triton 1 Fund, the MFS International Value Fund Class R4, the Wells Fargo Stable Value Fund, and the Media General, Inc. Common Stock Fund.

At December 31, 2014, the investment fund options included twelve T. Rowe Price funds, seven Fidelity funds (including four Spartan funds), two PIMCO funds, the Dodge & Cox Stock Fund, the J.P. Morgan US Equity Institutional Fund, the American Beacon Small Cap Value Institutional Fund, the Conestoga Small Cap Investors Fund, and the Media General, Inc. Common Stock Fund.

Effective December 31, 2015, the LIN Media 401(k) Plan merged with the Plan, resulting in \$161,375,499 in rollover contributions and is shown as a transfer in the Statement of Changes in Net Assets Available for Plan Benefits for the year ended December 31, 2015.

Effective April 23, 2014, the Young Broadcasting 401(k) Plan merged with the Plan, resulting in \$65,544,909 in rollover contributions and is shown as a transfer in the Statement of Changes in Net Assets Available for Plan Benefits for the year ended December 31, 2014.

2. Significant Accounting Policies

Basis of Accounting

The financial statements of the Plan are prepared on the accrual basis of accounting.

Valuation of Investments

All investments are carried at fair value or an approximation of fair value, except for fully benefit-responsive investment contracts, which are reported at contract value. Generally accepted accounting principles define fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction value hierarchy which requires an entity to maximize the use of observable inputs when measuring fair value. Contract value is the relevant measurement attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan.

Securities transactions are recorded as of the trade-date. Dividends are recorded on the ex-dividend date and interest is accrued as earned. The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated

MG Advantage 401(k) Plan
Notes to Financial Statements (continued)

2. Significant Accounting Policies (continued)

with certain investment securities, it is possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the Statements of Net Assets Available for Plan Benefits. Notes receivable from participants are recorded at their unpaid principal balance plus any accrued but unpaid interest.

The following provides a description of the three levels of inputs that may be used to measure fair value, the types of Plan investments that fall under each category, and the valuation methodologies used to measure these investments at fair value.

Level 1 – Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date.

Mutual Funds and the Media General, Inc. Common Stock Fund:

These investments are public investment securities valued using the Net Asset Value (NAV). The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV is a quoted price in an active market.

Level 2 – Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies.

No Plan investments are in this category.

Level 3 – Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

No Plan investments are in this category.

Investment contracts held by a defined contribution plan are required to be reported at fair value, except for fully benefit-responsive investment contracts. The Plan invests in fully benefit-responsive investment contracts through common/collective funds (Fidelity Managed Income Portfolio Fund and the Wells Fargo Stable Value Fund). The net asset value is used as a practical expedient to estimate fair value. This practical expedient would not be used if it is determined to be probable that the fund will sell the investment for an amount different from the reported net asset value.

Fidelity Managed Income Portfolio Fund

The Fund invests primarily in corporate bonds, US and foreign government bonds, asset backed securities, commercial paper, as well as certain wrap contracts. A wrap contract is an agreement by a third party, such as a bank or insurance company to make payments to a portfolio in certain circumstances and is designed to allow a stable value portfolio to maintain a constant value.

MG Advantage 401(k) Plan
Notes to Financial Statements (continued)

2. Significant Accounting Policies (continued)

The issuer of the wrap contract provides assurance that the adjustments to the interest crediting rate do not result in a future interest crediting rate that is less than zero. An interest crediting rate less than zero would result in a loss of principal or accrued interest. The key factors that influence future interest crediting rates for a wrap contract include the level of market interest rates, the amount and timing of participant contributions, transfers and withdrawals into and out of the wrap contract, the investment returns generated by the fixed income investments that back the wrap contract and the duration of the underlying investments backing the wrap contract. Wrap contracts' interest crediting rates are reset on a monthly basis.

A wrap issuer may terminate a wrap contract at any time. The wrap issuer may also terminate a wrap contract if Fidelity's investment management over the Fund is limited or terminated as well as if all of the terms of the wrap contract fail to be met. In the event that market value of the Fund's covered assets is below contract value at the time of such termination, the terminating wrap provider would not be required to make a payment to the Fund.

The Fund is presented in the Statement of Changes in Net Assets Available for Plan Benefits at contract value, as reported to the Plan by the Trustee. There are no reserves against contract value for credit risk of the contract issuer or otherwise for 2015 and 2014. The average yield for the investment contracts based on actual earnings was 1.93% and 1.67% in 2015 and 2014, respectively. This average yield represents the annualized earnings of all investments in the Fund during each year divided by the fair value of all investments in the Fund. The average yield adjusted to reflect the actual interest rate credited to participants was 1.17% and 1.07% in 2015 and 2014, respectively. The average credited yield represents the annualized earnings credited to participants in the Fund during each year divided by the fair value of all investments in the Fund.

Wells Fargo Stable Value Fund

Assets underlying the Wells Fargo Stable Value Fund (common/collective trust) are primarily guaranteed investment contracts. These contracts are valued at contract value, which is the amount at which participants can transact with the fund. Contract value, as reported to the Plan by the trustee, represents contributions made under the contracts, plus interest at the contract rates, less Plan withdrawals and termination fees. The average yield and crediting interest rates were 1.83% and 1.79% for 2015. The Plan did not hold the investment during 2014.

MG Advantage 401(k) Plan
Notes to Financial Statements (continued)

2. Significant Accounting Policies (continued)

Investment	Fair Value	Unfunded Commitment	Redemption	Other Redemption Restrictions	Redemption Notice Period
As of December 31, 2015:					
Fidelity Managed Income Portfolio Fund	\$ 14,970,314	None	Immediate	None	None
Wells Fargo Stable Fund	\$ 10,908,983	None	Immediate	None	None
As of December 31, 2014:					
Fidelity Managed Income Portfolio Fund	\$ 17,585,078	None	Immediate	None	None

Fidelity BrokerageLink

The Plan provides access to Fidelity BrokerageLink, which allows participants to choose from investments beyond those options offered by the Plan. The Plan's fiduciaries do not monitor the investments available in BrokerageLink. This feature is intended for those who are comfortable managing a portfolio of expanded investment choices. To utilize this feature, participants must first open a separate brokerage account within the Plan. When participants access BrokerageLink, there is additional information regarding available investment choices. Participants are encouraged to read and consider this information before making any investment decisions. Mutual fund minimums and fees associated with transactions generally still apply.

Income Tax Status

The Internal Revenue Service ruled on July 24, 2015 that the Plan qualified under Section 401(a) of the Internal Revenue Code (IRC) as of January 31, 2009 and, therefore, the related trust is not subject to tax under present income tax law. Employee contributions qualify as "cash or deferred" contributions under Section 401(k) of the IRC. Once qualified, the Plan is required to operate in conformity with the IRC to maintain its qualification. On January 30, 2009, the Company requested a new ruling from the IRS which would have covered all amendments and restatements since the February 27, 2003 ruling up through January 31, 2009. A new ruling was not received prior to January 31, 2014, the deadline for filing another determination letter request for the next remedial amendment cycle. Therefore, the company requested another ruling on January 14, 2014, which would cover all amendments and restatements since the February 27, 2003 ruling. The Company believes the Plan continues to qualify under the IRC and the related trust is tax exempt. Management has evaluated the effects of accounting guidance related to uncertain income tax positions and concluded that the Plan had no significant financial statement exposure to uncertain income tax positions at December 31, 2015 or December 31, 2014. The Plan is not currently under audit by any tax jurisdiction.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from these estimates.

MG Advantage 401(k) Plan
Notes to Financial Statements (continued)

2. Significant Accounting Policies (continued)

Change in Accounting Policy

In May 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2015-07, Disclosures for Investments in Certain entities that Calculate Net Asset Value per Share (or its Equivalent) (ASU 2015-07), which eliminates the requirement to categorize investments in the fair value hierarchy if their fair value is measured using net asset value per share as a practical expedient. The amendments in ASU 2015-07 are effective for fiscal years beginning after December 15, 2016, with early adoption permitted. The Plan's management has elected to early adopt ASU 2015-07 and the adoption of ASU 2015-07 is reflected in the fair value hierarchy table in Note 3 where the investment valued using net asset value per share as a practical expedient is excluded from categorization in the fair value hierarchy.

In July 2015, the FASB issued ASU 2015-12, Plan Accounting: Defined Benefit Pension Plans, Defined Contribution Pension Plans, Health and Welfare Benefit Plans: (Part I) Fully Benefit-Responsive Investment Contracts, (Part II) Plan Investment Disclosures, (Part III) Measurement Date Practical Expedient. Part I eliminates the requirements to measure the fair value of fully benefit-responsive investment contracts and provide certain disclosures. Contract value is the only required measure for fully benefit-responsive investment contracts. Part II eliminates the requirements to disclose individual investments that represent 5 percent or more of net assets available for benefits and the net appreciation or depreciation in fair value of investments by general type. Part II also simplifies the level of disaggregation of investments that are measured using fair value. Plans will continue to disaggregate investments that are measured using fair value by general type; however, plans are no longer required to also disaggregate investments by nature, characteristics and risks. Further, the disclosure of information about fair value measurements shall be provided by general type of plan asset. Part III is not applicable to the Plan. The ASU is effective for fiscal years beginning after December 15, 2015, with early adoption permitted. Parts I and II are to be applied retrospectively. Management has elected to adopt Parts I and II early.

3. Contributions

The Plan allows participants to make pre-tax contributions by means of regular payroll deductions, subject to limitations prescribed by the Internal Revenue Code. Participants may change their investment elections directly with Fidelity at any time.

Effective July 1, 2014, the Company matched, on a pay period basis, 50% of the first 6% of Compensation that participants deferred to the Plan as a Pre-Tax, Catch-Up and/or Roth Contribution. To receive the total Matching Contribution available for a Plan Year, a participant must have deferred and contributed at least 6% of Compensation for each payroll period of that year.

Effective January 1, 2014 through June 30, 2014, the Company matched 100% of the first 3% of Compensation deferred as a Pre-Tax, Catch-Up and/or Roth Contribution and 50% of the next 2% of Compensation deferred as a Pre-Tax, Catch-Up and/or Roth Contribution. This contribution was a "Safe Harbor" Matching Contribution. Because the Safe Harbor Matching Contribution was provided on a "payroll period" basis, participants did not receive a match for any payroll period in which they did not defer a portion of their pay. To have received the total Safe Harbor Matching Contribution available for a Plan Year, a participant must have deferred and contributed at least 5% of Compensation for each payroll period of that year.

MG Advantage 401(k) Plan
Notes to Financial Statements (continued)

3. Contributions (continued)

Participants may rollover account balances from a prior employer's qualified retirement plan or "conduit" IRA that holds only prior qualified plan balances. Participant contributions are invested in accordance with Plan terms directed by participants in the 31 investment options mentioned in Note 1. Company matching contributions are initially invested in Company stock.

A participant may designate all or part of their elective contribution as a Roth contribution. Such contributions are after-tax in accordance with Roth guidelines.

The Plan also includes, among other things, a note receivable feature (see Note 6). Under specified guidelines, a participant may request the trustee to transfer a portion of the participant's balance in other funds into a note receivable account for disbursement as a note receivable to the participant. Repayment of principal and interest is generally made by payroll deduction and the notes receivable are fully secured by the participant's account balance.

By law, all Non-Safe Harbor plans must perform a test to determine if the ratio of contribution deferrals for highly compensated and non-highly compensated employees meets federal guidelines. The Plan refunded \$103,838 and \$223,646 of 2015 and 2014 contribution deferrals, respectively, back to highly compensated employees during early 2016 and 2015 to be compliant with this test.

4. Profit Sharing Contributions

The Plan has a profit sharing component, dependent upon the Company meeting certain specified financial objectives. This component can range from 2% to 6% of a participant's compensation. Participants are not required to make contributions to receive the profit sharing contribution. All Plan participants on January 1 of a given year are eligible to receive a profit sharing contribution for that year. Otherwise, to be eligible, one must have attained age 18 and completed 1,000 hours of service in the first 12 months of employment or in a given Plan Year. Once eligible, participants will receive a profit sharing allocation, if one is made, if they completed 1,000 hours of service during the Plan Year, and were employed on the last day of the year or die, retire, or become totally and permanently disabled during that Plan Year. If an eligible participant terminates during the Plan Year for other reasons, these former employees may still receive a profit sharing contribution for that Plan Year if they attained age 55 with 10 years of service and were hired before January 1, 2008; or attained age 60 with 10 years of service and were hired after December 31, 2008.

There was no profit sharing contribution for the 2015 or 2014 plan years.

5. Eligibility, Vesting, Withdrawals, and Terminations

Any employee who has completed 45 days of service and is at least 18 years old shall be eligible to participate in the Plan as of the first day of the month following meeting these eligibility requirements. In the event of termination of employment or withdrawal from the Plan, participants may receive the total value of their account either directly or by rollover to another qualified account. If the participant's account value is \$1,000 or greater at the time of termination, they may keep their balance in the Plan. The vesting provisions of the

MG Advantage 401(k) Plan
Notes to Financial Statements (continued)

5. Eligibility, Vesting, Withdrawals, and Terminations (continued)

Plan provide for immediate 100% vesting of the value of Company matching contributions. Participants are 100% vested in their Profit Sharing Account after completion of three years of service, death, becoming totally and permanently disabled, or reaching age 65. Forfeited non-vested amounts relating to Profit Sharing contributions approximated \$13 thousand and \$40 thousand as of December 31, 2015 and 2014, respectively. The Company utilized \$107 thousand and \$103 thousand of forfeiture balances to reduce Company contributions during 2015 or 2014, respectively.

The Company has established the Plan with the intention that it will continue. The Company has the right at any time to terminate the Plan. Should the Plan be terminated, the value of the participants' accounts would be distributed to the participants in a manner consistent with the Summary Plan Document.

Each participant's account is credited with the participant's contributions, the Company's contributions, trading fees, as well as allocations of Plan earnings or losses. Allocations of Plan earnings or losses are based on account balances, as defined by the Plan. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

The above descriptions are provided for informational purposes. Readers should refer to the most recently updated Summary Plan Document for more complete information on Plan provisions.

6. Notes Receivable from Participants

The Plan has a note receivable feature available to all Plan participants. Notes receivable are made from the participant's account, reducing the investment balance and creating a note receivable from participants in the Statement of Net Assets Available for Plan Benefits. Notes receivable are secured by the participant's vested account balance. Notes receivable to terminated participants and notes receivable in default are treated as distributions to the participant. The principal portion reduces the receivable from participants and both principal and interest are transferred to the participant's investment account as repayments are received.

Participants may obtain notes receivable based on the vested value of their accounts. New notes receivable cannot exceed 50% of the participant's account value (excluding the value of any profit sharing component) or a maximum of \$50 thousand in accordance with the Department of Labor's regulations on notes receivable to participants. Notes receivable are limited to one note receivable per participant per twelve-month period with a maximum of two notes receivables outstanding at any one time. Notes receivable shall bear a reasonable rate of interest and must be repaid over a period not to exceed 5 years unless used to purchase the participant's primary residence, in which case the notes receivable must be repaid over a period not to exceed 10 years. Notes receivable from participants are measured at their unpaid principal balances plus any accrued but unpaid interest. Management has evaluated notes receivable from participants for collectability and has determined that no allowance is considered necessary.

MG Advantage 401(k) Plan
Notes to Financial Statements (continued)

7. Fair Value Measurements

Below are the Plan's investments carried at fair value on a recurring basis by their fair value hierarchy levels as of December 31, 2015, and 2014:

Level 1 - Quoted Prices in Active Markets for Identical Assets:

	2015 Fair Value	2014 Fair Value
Mutual Funds	\$315,209,191	\$184,280,122
Media General, Inc. Common Stock Fund	30,008,848	33,529,831
Investments measured at Level 1	345,218,039	217,809,953
Investments measured at net asset value	25,879,297	17,585,078
Total investments, at fair value	\$371,097,336	\$235,395,031

8. Related Party Transactions

Recurring administrative expenses of the Plan, which include trustee fees, are paid by Media General, Inc. Administrative expenses for trust management services for the years ended December 31, 2015 and 2014 were approximately \$46 thousand and \$30 thousand, respectively, all paid to Fidelity, a related party to the Plan. Investments in the Media General Inc. Common Stock Fund represent investment in shares of common stock of Media General, Inc., the Plan sponsor. Plan assets available for benefits include Fidelity funds, which are managed by Fidelity Management & Research Company, an affiliate of the trustee of the Plan, and, therefore, qualify as party-in-interest transactions.

9. Subsequent Events

The Company made three amendments to the plan effective January 1, 2016. First, Company Matching Contributions made on behalf of Eligible Employees hired on or after January 1, 2016 will be 100% vested after the Employee completes two years of service with the Company. In addition, Eligible Employees will not be permitted to exchange current investments to the Company Stock Fund if the exchange will cause the Employee's investment in the Company Stock Fund to exceed 20% of the total market value of the Employee's Plan account. Lastly, Company matching contributions will no longer be invested automatically in the Company Stock Fund. Instead, Company matching contributions will be invested in accordance with the employee's investment elections.

In addition, the Company implemented a new payroll system during 2015 and due to various payroll related integration issues, some participant accounts did not reflect the exact employee contribution amount withheld and/or the proper Company match contribution during 2015. The Company engaged Fidelity to perform a

MG Advantage 401(k) Plan
Notes to Financial Statements (continued)

9. Subsequent Events (continued)

complete review of all participant account balances including comparing 2015 contributions to payroll system amounts and made adjustments to participant accounts in April 2016. As a result, employee contributions were reduced by approximately \$80 thousand and Company match contributions were increased by approximately \$182 thousand.

On January 27, 2016, the Company announced the entry into a Merger Agreement with Nexstar Broadcasting Group, whereby Nexstar would acquire all outstanding shares of the Company. The closing of the Merger is subject to various conditions, including required regulatory and other third-party consents and approvals. The Merger is expected to be completed late in the third quarter or early in the fourth quarter of 2016.

The Plan Sponsor's management has evaluated subsequent events through the date the financial statements were issued and has determined there are no subsequent events to be reported in the accompanying financial statements.

10. Reconciliation of Financial Statements to Form 5500

The following is a reconciliation of net assets available for benefits recorded on the financial statements as of December 31, 2015, and 2014 to Form 5500:

	2014
Net assets available for plan benefits per the financial statements	\$239,493,576
Plus adjustment from contract value to fair value for fully benefit-responsive investment contract	260,845
Net assets available for plan benefits per Form 5500	\$239,754,421

The following is a reconciliation of the statements of changes in net assets available for Plan benefits for the years ended December 31, 2015 and 2014:

	2015	2014
Net decrease in net assets available for plan benefits per the financial statements	\$(23,197,088)	\$(20,264,816)
Plus adjustment from contract value to fair value for fully benefit-responsive investment contract as of end of year	—	260,845
Less adjustment from contract value for fair value for fully benefit-responsive investment contract as of beginning of year	(260,845)	(207,808)
Net decrease in net assets available for plan benefits per Form 5500	\$(23,457,933)	\$(20,211,779)

The accompanying financial statements as of December 31, 2014 present the fully benefit-responsive contract at contract value. The Form 5500 for Plan Year 2014 reported the fully benefit-responsive contract at fair value. Therefore, the adjustment from fair value to contract value for the fully benefit-responsive contract represents a reconciling item. As of December 31, 2015, there is no reconciliation necessary, however, the adjustment for 2014 impacted the net decrease in net assets during the year ended December 31, 2015.

Schedule A

MG Advantage 401(k) Plan
 EIN: 54-0850433 Plan: 001
 Schedule H, Line 4a
 Schedule of Delinquent Participant Contributions
 Year Ended December 31, 2015

Participant Contributions Transferred Late to Plan	Total That Constitute Nonexempt Prohibited Transactions	Contributions Corrected	Contributions Pending Correction	Total Fully Corrected Under VFCP and PTE 2002-51 in VFCP
Contributions withheld January 15, 2015 remitted March 26, 2015	\$ —\$	—\$	—\$	—\$ 89,760
Contributions withheld April 23, 2015 remitted May 15, 2015	\$ —\$	—\$	—\$	—\$ 514,499
Contributions withheld May 29, 2015 remitted July 9, 2015	\$ —\$	—\$	—\$	—\$ 169,003
Contributions withheld June 25, 2015 remitted July 14, 2015	\$ —\$	—\$	—\$	—\$ 185,043
				\$ 958,305

See report of independent accountants

Schedule B

MG Advantage 401(k) Plan

EIN: 54-0850433 Plan: 001

Schedule H, Line 4(i)

Schedule of Assets (Held as of End of Year)

December 31, 2015

Identity of Issue, Borrower, Lessor, or Similar Party	Number of Shares	Fair Value
American Beacon Small Cap Value Institutional	550,145	\$ 12,356,250
Dodge & Cox Stock Fund	52,540	8,551,929
Fidelity* Brokerage Link	2,530,640	2,530,610
Fidelity* Contrafund K	92,893	9,185,302
Fidelity* Diversified International K	311,914	10,913,858
Fidelity* Growth Company K	255,338	34,940,463
Fidelity* Managed Income Portfolio Class 1	14,970,314	14,970,314
Invesco Diversified Dividend R5	549,309	9,656,846
J.P. Morgan US Equity Institutional	1,798,934	24,825,287
Janus Triton I	258,224	5,732,573
Media General, Inc. Common Stock Fund	6,937,305	30,008,848
MFS International Value Fund Class R4	382,390	13,081,561
PIMCO Real Return Institutional	38,537	405,027
PIMCO Total Return Institutional	1,488,927	14,993,496
Spartan 500 Index Fund Institutional Class (Fidelity)*	271,739	19,513,544
Spartan Extended Market Index Advantage (Fidelity)*	235,549	11,824,574
Spartan Glb ex USIdxAdvgt (Fidelity)*	107,999	1,145,866
Spartan US Bond Index Advantage (Fidelity)*	180,972	2,079,370
T. Rowe Price Retirement 2005	10,301	128,035
T. Rowe Price Retirement 2010	470,303	7,938,713
T. Rowe Price Retirement 2015	412,550	5,643,685
T. Rowe Price Retirement 2020	1,116,370	21,981,319
T. Rowe Price Retirement 2025	1,187,794	17,757,525
T. Rowe Price Retirement 2030	1,238,280	27,006,883
T. Rowe Price Retirement 2035	822,209	12,982,679
T. Rowe Price Retirement 2040	810,482	18,300,677
T. Rowe Price Retirement 2045	604,514	9,164,433
T. Rowe Price Retirement 2050	681,080	8,676,956
T. Rowe Price Retirement 2055	66,121	840,394
T. Rowe Price Retirement Balanced	214,279	3,051,336
Wells Fargo Stable Value	223,820	10,908,983
Total Investments		371,097,336
Interest Bearing Cash	—	1,103,940
Participant Loan Balances	3% - 8%	5,574,549
TOTAL ASSETS		\$377,775,825

* Party in interest to the Plan

Note: Cost is not required as all investments are participant directed

See report of independent accountants 14

MG Advantage 401(k) Plan
(continued)

SIGNATURES

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

MG Advantage 401(k) Plan

(the Plan Registrant)

By: /s/ James F. Woodward
James F. Woodward
Senior Vice President and Chief Financial
Officer

Date: June 24, 2016

> 70% 340,813 -0-
Timothy C. Gokey
70% 343,140 59,363
Tammy S. Serati
50% 147,630 -0-
Former Officer

Alan M. Bennett
n/a n/a n/a

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	Securities Underlying Options	Shares of Restricted Stock
Officers		
Russell P. Smyth	TBD	TBD

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

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

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

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year. Although the number of options and equity shares awarded to NEOs increased in fiscal year 2010, the actual dollar value of awards to these executives decreased ten percent.

Compensation Clawback Policy In the event of a restatement of our financial results, the Board has the authority to seek reimbursement of any portion of performance-based or incentive compensation paid, vested or awarded in any previous year that is greater than would have been paid or awarded if calculated based on the restated financial results.

Benefits We provide certain benefits to all full-time employees such as: employer matching contributions to our qualified retirement plans; an employee stock purchase plan that permits purchases of our common stock at a discount; life insurance; and health and welfare benefit programs. Benefits for executives generally are the same as benefits for all other full-time employees, except that executive officers and certain key employees may participate in our executive survivor plan and deferred compensation plan. We believe our executive benefit program is generally conservative relative to market practice, which is consistent with our philosophy to emphasize the direct elements of our executive compensation program.

Our executive survivor plan is a life insurance plan that provides death benefits up to three times the participating executive's salary. The death benefits are payable to beneficiaries designated by the participating executives.

Our deferred compensation plan is designed to build retirement savings by offering participants the opportunity to defer salary and short-term incentive compensation. During 2009 we discontinued our employer annual match to the plan. In eliminating the Company match, the Compensation Committee approved the immediate vesting of any previously unvested Company contributions. Gains or losses are posted to a participant's account pursuant to his or her selection of various investment alternatives. The plan benefits are paid following termination of employment, except in cases of disability or hardship.

Perquisites We generally provide minimal perquisites to our senior executive officers. These perquisites consist primarily of reimbursements for tax preparation fees. We own a fractional interest in a private aircraft for executives and directors to use for business travel purposes. Use of this private aircraft has been limited to business travel purposes only, other than personal use by our interim chief executive officer pursuant to a Board-approved contractual arrangement that has now expired. We believe our overall executive perquisites are conservative relative to broader market practice.

In connection with hiring Mr. Bennett to serve as our interim chief executive officer, we agreed to provide Mr. Bennett the following perquisites: (i) reasonable and customary furnished housing when Mr. Bennett was in Kansas City for company business; (ii) use of our private aircraft for one round trip per week between Mr. Bennett's personal residences and Kansas City; (iii) additional compensation necessary to gross up the foregoing housing and private aircraft benefits to cover anticipated income and employment tax liabilities; (iv) rental car usage while Mr. Bennett was at our headquarters; and (v) reimbursement for any out-of-network charges Mr. Bennett may have incurred while in Kansas City on company business under the terms of his retiree medical program. We provided these perquisites in recognition that it would not be practical for Mr. Bennett to relocate to Kansas City during his short-term tenure as our interim chief executive officer. We also provided these perquisites with a view to recruit and attract Mr. Bennett to serve as our interim chief executive officer.

In connection with recruiting and hiring Mr. Smyth to serve as our president and chief executive officer, we agreed to provide reimbursement of reasonable moving and relocation expenses (including any related income tax liability) and a \$200,000 lump-sum cash relocation payment.

TERMINATION OF EMPLOYMENT AND SEVERANCE ARRANGEMENTS

Severance We provide severance compensation and health and welfare benefits under the H&R Block Severance Plan (the Severance Plan) to certain executives whose employment is involuntarily terminated in certain instances. We offer the Severance Plan as a tool for attracting and retaining talented executives and structure the Severance Plan to be generally consistent with competitive market practice.

Under the Severance Plan, an employee who is involuntarily terminated will qualify for compensation and benefits under our severance plan unless (i) the employee was offered a comparable position, (ii) the termination resulted from a sale of assets or other corporate acquisition or disposition, (iii) the employee s position was redefined to a lower salary rate, (iv) the employee was terminated for cause, or (v) the employee s employment contract was not renewed. Executive officers with employment agreements receive severance pay based upon the number of years of service as defined in their employment agreement. Otherwise, an executive receives one

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month's salary as severance pay for each year of service, subject to a minimum of six months' severance pay and a maximum of 18 months' severance pay. In addition, executive officers receive a pro-rated payment of short-term incentive compensation at the target pay-out rate, based on the executive's years of service and the portion of the fiscal year that expired prior to the executive's termination. The Severance Plan also provides for (i) stock options that would have vested within 18 months after termination to vest as of the termination date and (ii) restrictions on restricted stock that would have lapsed within six months after termination to lapse as of the termination date. Pursuant to the Severance Plan, employees may exercise stock options vested as of the termination date for a period following termination generally not exceeding 15 months.

We entered into a severance arrangement with Steven Tait during fiscal year 2009, effective as of April 30, 2009. Pursuant to this arrangement, Mr. Tait (i) received a lump-sum cash severance payment of \$827,668 pursuant to the terms of the Severance Plan, (ii) was eligible to receive a short-term incentive bonus for fiscal year 2009 pursuant to the Company's short-term incentive compensation program, and (iii) received a lump-sum payment equaling 12 months of COBRA premiums approximating non-employee-paid health and welfare benefits. The severance arrangement also provided for (i) full vesting for 163,788 outstanding stock options not previously vested, (ii) certain specified outstanding stock options granted previously to Mr. Tait to remain exercisable through July 31, 2010, and (iii) a payout of approximately 25,000 performance shares for the 2006 and 2007 grant performance periods (which end on April 30, 2009 and 2010, respectively) based on RSM's performance against previously-established performance goals for the 2006 and 2007 grant performance periods.

On May 8, 2009, Mr. Gokey resigned as President of U.S. Tax Operations of HRB Tax Group, Inc. ("HRB Tax"). We entered into a severance arrangement with Mr. Gokey dated July 28, 2009, providing for Mr. Gokey's employment with HRB Tax to end August 31, 2009 (the "Separation Date"). Pursuant to this arrangement, Mr. Gokey will receive the following within 30 days of the later of the Separation Date or the effective date of his Separation and Release Agreement with HRB Tax: (i) a lump-sum cash severance payment of \$833,340 pursuant to the terms of the Severance Plan, and (ii) a lump-sum payment equaling 12 months of COBRA premiums approximating non-employee-paid health and welfare benefits. The severance arrangement also provides for (i) full vesting on the Separation Date of 279,362 stock options not previously vested, (ii) termination of restrictions on 10,617 shares of previously granted restricted stock on the Separation Date, resulting in such shares becoming fully vested, (iii) approximately 24,834 performance shares (pro-rated) to be paid out to Mr. Gokey depending on our performance against previously established performance-goals for the 2007 (15,000 performance shares) and 2008 (9,834 performance shares) three-year grant performance periods, which end on April 30, 2010 and 2011, respectively and (iv) outplacement services for 12 months.

A table showing potential severance payments to our NEOs is located on page 41 in this proxy statement. We believe that the benefits our NEOs would receive under severance scenarios are conservative relative to the market.

Change-in-Control Provisions Our NEOs generally are parties to employment agreements that provide for payment of compensation and benefits in certain instances upon a change in control. In addition, certain unvested benefits under our compensation programs accelerate upon a change in control. These change-in-control provisions (including the events that would trigger change-in-control compensation and benefits) are described on pages 38 through 44 in this proxy statement. We provide these change-in-control benefits as a means to attract and retain talented executives, who could have other job alternatives that may appear less risky absent these benefits.

We believe these agreements (the value of which depends in part on the value our shareholders receive in a change-in-control transaction) provide an incentive for our executives to obtain the highest possible value if the Company were acquired. These agreements help executives focus on maximizing shareholder value, despite the risk of losing employment and potentially foregoing prior unvested equity awards (which comprise a significant component of our executive compensation program).

Once each year, our Compensation Committee reviews all components of compensation for our CEO and other highly compensated executive officers. This review encompasses all forms of compensation, including base salary, short-term incentives, long-term incentives, and other vested benefit payouts, as well as amounts pursuant to retirement and non-qualified deferred compensation plans. As a part of this process, the Compensation Committee also reviews tally sheets of executive termination costs for each of these executive officers, including payments upon any change in control. Further information regarding payments upon a change in control and other termination scenarios is provided on pages 41 through 44 in this proxy statement.

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OTHER AWARDS In certain instances, we award compensation to executives in the form of retention awards and sign-on awards when we believe it is in our best interests and our shareholders' best interests. We offer retention awards in limited instances where there is a strong likelihood that an executive may leave and retention of the executive is critical to achieving a particular business objective. The most common instance in which we offer retention awards is when we sell or dispose of a business. These awards are designed to retain critical employees through the sale and in some instances for a short transition period following the sale.

We occasionally offer sign-on awards as a means to attract executives. These awards are typically offered in negotiating employment terms and generally are in the form of guaranteed bonuses in the initial year of employment or grants of equity-based compensation such as stock options or restricted stock. As noted above, Mr. Smyth received such a bonus for his initial year of employment.

STOCK OWNERSHIP GUIDELINES We believe that our executive officers should have a significant financial stake in the Company to ensure that their interests are aligned with those of our shareholders. To that end, we have adopted stock ownership guidelines that define ownership expectations for certain executive officers. Under these guidelines, executive officers are expected to own shares at the following minimum levels:

	Number of shares
Chief Executive Officer	200,000
Chief Financial Officer	45,000
All other designated officers	15,000

Executive officers subject to the Company's executive stock ownership guidelines generally are in compliance, or are progressing toward compliance, with the guidelines. Each of our current NEOs is progressing toward compliance with the guidelines. In instances where an executive fails to comply with stock ownership guidelines levels within five years, our CEO may prohibit the executive from selling shares acquired through the vesting of restricted stock or performance shares and may require the executive to utilize net cash bonuses to purchase shares. The Compensation Committee and our CEO review annually each executive's progress toward meeting the stock ownership guidelines.

ACCOUNTING FOR STOCK-BASED COMPENSATION We recognize stock-based compensation expense for the issuance of stock options, restricted stock, and performance shares, as well as stock purchased under our employee stock purchase plan pursuant to Statement of Financial Accounting Standards No. 123(R), Share-Based Payment. Under this accounting methodology, we recognize stock-based compensation expense for the issuance of stock options, restricted stock, performance shares and shares under our employee stock purchase plan on a straight-line basis over applicable vesting periods.

TAX CONSIDERATIONS We believe it is in our shareholders' best interest to maximize tax deductibility when appropriate. Section 162(m) of the Internal Revenue Code limits to \$1 million our federal income tax deduction for compensation paid to any of our NEOs, subject to certain transition rules and exceptions for certain performance-based compensation. We have designed the H&R Block Executive Performance Plan and portions of our equity-based compensation so that such compensation would be deductible under Section 162(m), although individual exceptions may occur. Nevertheless, the Compensation Committee may recommend for Board approval non-deductible compensation when it believes it is in our shareholders' best interest, balancing tax efficiency with long-term strategic objectives.

Our benefit plans that provide for deferrals of compensation are subject to Section 409A of the Internal Revenue Code. We have reviewed such plans for compliance with Section 409A and believe that they comply with

Section 409A.

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COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis. Based on its review and discussion with management, the Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the Company's 2009 proxy statement.

COMPENSATION COMMITTEE

Tom D. Seip, Chairman

Len J. Lauer

L. Edward Shaw, Jr.

Christianna Wood

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The following non-employee directors serve on the Compensation Committee of the Board of Directors: Tom D. Seip (Chairman), Len J. Lauer, L. Edward Shaw, Jr. and Christianna Wood. Roger W. Hale and Henry F. Frigon also served on the Compensation Committee during fiscal year 2009. No director serving on the Compensation Committee during fiscal year 2009 (a) was or was formerly an officer or employee of the Company or any of its subsidiaries, or (b) had any relationships requiring disclosure in the proxy statement.

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Table of Contents**SUMMARY COMPENSATION TABLE**

The following table sets forth for the fiscal year ended April 30, 2009 the compensation paid to or earned by the Company's principal executive officer and principal financial officer, each of the Company's three highest paid executive officers (other than the principal executive officer and principal financial officer) who were serving as an executive officer of the Company at the end of such fiscal year, and the Company's former principal executive officer (Mr. Bennett) (collectively, the Named Executive Officers).

Name and Principal Position	Fiscal Year ⁽¹⁾	Salary (\$) ⁽²⁾	Bonus ⁽³⁾	Stock Awards (\$) ⁽⁴⁾	Option Awards (\$) ⁽⁵⁾	Non-Equity Incentive		Total (\$)
						Plan Compensation (\$) ⁽⁶⁾	All Other Compensation (\$) ⁽⁷⁾	
Russell P. Smyth, Chief Executive Officer ⁽⁸⁾	2009	712,500	783,750		836,819		289,978	2,623,047
Jacky S. Shulman, Chief Financial Officer	2009	378,000		134,762	218,708		21,448	752,918
Steven Tait, President, RSM McGladrey Business Services, Inc. ⁽⁹⁾	2008	272,292	50,000	254,317	155,358	122,550	24,958	879,475
	2009	486,875		226,417	1,063,292		902,496	2,679,081
	2008	475,001		298,214	541,115	465,500	30,954	1,810,784
	2007	465,001		282,748	550,189		55,932	1,353,870
Timothy C. Gokey, President, U.S. Tax Operations	2009	487,667		366,036	718,052	59,363	32,229	1,663,347
	2008	473,333		412,799	657,480	505,068	46,893	2,095,573
HRB Tax Group, Inc. ⁽¹⁰⁾	2007	457,500		457,533	661,736	296,205	43,541	1,916,515
Tommy S. Serati, Senior Vice President, Human Resources ⁽¹¹⁾	2009	293,550		122,397	162,249		15,853	594,049
Mr. M. Bennett, Former Chief Executive Officer ⁽¹²⁾	2009	300,000	900,000		77,997		428,444	1,706,441
	2008	405,682			448,502		504,583	1,358,767

NOTES:

- (1) Compensation for fiscal year 2007 and/or 2008 is included for only those Named Executive Officers who were also named executive officers of the Company for such fiscal years (Ms. Shulman and Messrs. Tait, Gokey and Bennett).
- (2) Each of the Named Executive Officers, except for Messrs. Smyth and Bennett, deferred a portion of their fiscal year 2009 salaries under the Deferred Compensation Plan for Executives, which is included in the Nonqualified Deferred Compensation Table on page 37 of this proxy statement. Each of the Named Executive Officers contributed a portion of their salary to the Company's 401(k) savings plan, the H&R Block Retirement Savings Plan.
- (3) Mr. Smyth received a minimum guaranteed short-term incentive compensation award for fiscal year 2009 equal to 110% of his pro-rated base salary for fiscal year 2009 pursuant to the terms of his employment agreement. Mr. Bennett received two cash bonus payments during fiscal year 2009 of \$562,500 and \$337,500. The first

payment was made pursuant to the terms of his employment agreement which expired May 20, 2008. The second payment was made as an incentive for Mr. Bennett to continue serving as the Company's interim chief executive officer beyond the original term of his employment agreement through the date the Company appointed a permanent chief executive officer.

- (4) This column represents the dollar amount recognized for financial statement reporting purposes with respect to fiscal year 2009 for the fair value of restricted shares of the Company's common stock and performance shares granted pursuant to the Company's 2003 Long-Term Executive Compensation Plan during fiscal year 2009 as well as prior fiscal years in accordance with SFAS 123R. Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. For information concerning restricted stock and performance shares valuation assumptions, refer to Item 8, Note 12 "Stock-Based Compensation" of the Company's consolidated financial statements in the Form 10-K for the year ended April 30, 2009, as filed with the SEC. During fiscal year 2009, Mr. Tait forfeited 6,556 performance shares with a value of \$142,986 (the value was determined in accordance with the foregoing valuation assumptions).
- (5) This column represents the dollar amount recognized for financial statement reporting purposes with respect to fiscal year 2009 for the fair value of stock options granted during fiscal year 2009 as well as prior fiscal years in accordance with SFAS 123R. Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. For information concerning option valuation assumptions, refer to Item 8, Note 12 "Stock-Based Compensation" of the Company's consolidated financial statements in the Form 10-K for the year ended April 30, 2009, as filed with the SEC. During fiscal year 2009, Mr. Tait forfeited 38,561 stock options with a value of \$142,676 (as determined in accordance with the foregoing valuation assumptions).
- (6) This column represents amounts awarded and earned under the Company's short-term incentive compensation programs, as discussed on page 23 of this proxy statement.
- (7) For fiscal year 2009, these figures include the following: (a) the insurance premiums paid by the Company with respect to term life insurance maintained by the Company for the benefit of each of the Named Executive Officers of \$722 (Mr. Smyth), \$424

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- (Ms. Shulman), \$712 (Mr. Tait), \$547 (Mr. Gokey), \$330 (Ms. Serati), and \$324 (Mr. Bennett); (b) dollar value of tax preparation and advice provided by the Company to Ms. Shulman in the amount of \$676 and to Mr. Bennett in the amount of \$4,879; (c) payment by the Company for participation in the Company's group legal plan of \$23 (Mr. Smyth), \$36 (Ms. Shulman), and \$40 (Mr. Tait); (d) the Company's matching contributions under the Company's Deferred Compensation Plan for Executives of \$5,884 (Ms. Shulman), \$35,921 (Mr. Tait), \$12,630 (Mr. Gokey), and \$3,007 (Ms. Serati); (e) the Company's matching contributions under the H&R Block Retirement Savings Plan (RSP) of \$20,167 (Mr. Smyth), \$12,698 (Ms. Shulman), \$11,662 (Mr. Tait), \$12,124 (Mr. Gokey), \$11,662 (Ms. Serati), and \$4,000 (Mr. Bennett); (f) restricted stock dividends of \$1,146 (Ms. Shulman), \$1,995 (Mr. Tait), \$4,237 (Mr. Gokey), and \$190 (Ms. Serati); (g) payments of \$839,692 to Mr. Tait pursuant to his separation agreement (includes lump-sum cash severance payment of \$827,688 and cash payment of \$12,004 for 12 months of continuing coverage under the Company's health and welfare plans); (h) relocation expenses paid on behalf of Mr. Smyth (\$9,767); (i) lump-sum cash relocation payment of \$200,000 paid to Mr. Smyth; (j) vacation pay to Mr. Tait (\$9,363) and Mr. Bennett (\$23,075); (k) the economic value of the death benefit provided by the Company's Executive Survivor Plan (ESP) of \$8,009 (Mr. Smyth), \$584 (Ms. Shulman), \$3,111 (Mr. Tait), \$2,691 (Mr. Gokey), and \$664 (Ms. Serati); (l) payment by the Company on Mr. Smyth's behalf for legal expenses incurred by Mr. Smyth in connection with the negotiation of his employment agreement with the Company (\$45,079); (m) tax gross-up provided to Mr. Smyth by the Company related to Mr. Smyth's imputed income resulting from payments by the Company on Mr. Smyth's behalf for his relocation expenses (\$6,211); (n) payment by the Company on Mr. Bennett's behalf of the incremental cost for personal use of the Company's Net Jet aircraft share by Mr. Bennett for one round trip per week between Mr. Bennett's personal residences and Kansas City (\$360,407). This incremental cost includes variable costs incurred as a result of personal flight activity, such as hourly charges for each flight, fuel charges, applicable taxes and miscellaneous fees. It excludes non-variable costs, such as the Company's monthly management fee and insurance fees; (o) payment by the Company on Mr. Bennett's behalf of Mr. Bennett's housing expenses in Kansas City, Missouri (\$14,145); and (p) tax gross-ups provided to Mr. Bennett by the Company related to Mr. Bennett's imputed income resulting from payments by the Company on Mr. Bennett's behalf for (i) his personal use of the Company's Net Jet aircraft share (\$11,851) and (ii) his housing expenses in Kansas City, Missouri (\$9,763). The imputed income reported from the ESP represents the portion of the premium paid by the Company pursuant to the ESP that is attributable to term life insurance coverage for the executive officer. The ESP provides only an insurance benefit with no cash compensation element to the executive officer.
- (8) Mr. Smyth was appointed President and Chief Executive Officer of the Company effective August 1, 2008 pursuant to an employment agreement with an indirect subsidiary of the Company that provides for certain benefits and compensation reflected in this table. A summary of his employment agreement is provided on page 38 of this proxy statement.
- (9) Mr. Tait resigned as President, RSM McGladrey Business Services, Inc. (RSM), effective April 30, 2009. In connection with such resignation, Mr. Tait entered into a Separation and Release Agreement with RSM, an indirect subsidiary of the Company, dated January 20, 2009, a summary of which begins on page 39 of this proxy statement.
- (10) Mr. Gokey resigned as President of HRB Tax Group, Inc. (HRB Tax) on May 8, 2009. In connection with such resignation, Mr. Gokey entered into a Separation and Release Agreement with HRB Tax, an indirect subsidiary of the Company, dated July 28, 2009 (the Gokey Separation Agreement), a summary of which is provided on page 39 of this proxy statement.
- (11) Ms. Serati is party to an employment agreement with an indirect subsidiary of the Company that provides for certain benefits and compensation reflected in this table. A summary of her employment agreement is provided on page 39.

- (12) Mr. Bennett resigned as Chief Executive Officer of the Company effective July 31, 2008 and was elected to serve as a director of the Company at the Company's annual meeting of shareholders on September 4, 2008. Mr. Bennett's Salary and Stock Awards do not include director fees paid (\$42,000), or the value of deferred stock units awarded (\$101,534), to Mr. Bennett after his resignation as Chief Executive Officer of the Company. Those fees and stock awards are set forth in the Director Compensation Table included on page 9 of this proxy statement under the columns entitled Fees Earned or Paid in Cash and Stock Awards.

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Table of Contents**GRANTS OF PLAN-BASED AWARDS TABLE**

The following table provides information about non-equity incentive plan awards, equity incentive plan awards, and stock awards granted to our Named Executive Officers during the fiscal year ended April 30, 2009. The compensation plans under which the grants in the following table were made are described on pages 23 through 28 in this proxy statement.

Grant Date	Approval Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards ⁽¹⁾			Estimated Future Payouts Under Equity Incentive Plan Awards ⁽²⁾			All Other Stock Awards: Number of Shares of Stock or Units (#) ⁽³⁾	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise Price or Base Price of Option Award (\$/Sh)
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)			
			783,750							
8/06/08	7/18/08								500,000	\$24.7
8/06/08	7/18/08								100,000	\$27.7
8/06/08	7/18/08								100,000	\$30.7
8/06/08	7/18/08								100,000	\$33.7
8/06/08	7/18/08								100,000	\$36.7
			\$228,960	\$457,920						
7/03/08	6/09/08				2,732	5,463	8,195			
7/03/08	6/09/08								96,401	\$21.8
			\$340,813	\$681,626						
7/03/08	6/09/08				3,278	6,556	9,834			
7/03/08	6/09/08								115,681	\$21.8
			\$343,140	\$686,280						
7/03/08	6/09/08				4,917	9,834	14,751			
7/03/08	6/09/08							290		
7/03/08	6/09/08								173,522	\$21.8
10/01/08	8/28/08							10,520		
10/01/08	8/28/08								179,855	\$23.7
			\$147,630	\$295,260						

7/03/08	6/09/08	1,639	3,278	4,917		
7/03/08	6/09/08				57,841	\$21.8
						\$900,000

NOTES:

- (1) Amounts represent the potential value of the payouts under the Company's short-term incentive compensation programs.
- (2) Amounts represent Performance Shares granted pursuant to the 2003 Long-Term Executive Compensation Plan.
- (3) Amounts represent shares of Restricted Stock granted pursuant to the 2003 Long-Term Executive Compensation Plan.
- (4) Amount represents Mr. Smyth's minimum guaranteed short-term incentive compensation award for fiscal year 2009, made pursuant to the terms of his employment agreement. This award is equal to 110% of his pro-rated base salary for fiscal year 2009.
- (5) Amounts represent awards made pursuant to the 2003 Long-Term Executive Compensation Plan.
- (6) During fiscal year 2009, Mr. Tait forfeited all Performance Shares granted on July 3, 2008, as more fully described in footnote 4 to the Summary Compensation Table on page 32 of this proxy statement.
- (7) During fiscal year 2009, Mr. Tait forfeited 38,561 of the 115,681 stock options granted on July 3, 2008, as more fully described in footnote 5 to the Summary Compensation Table on page 32 of this proxy statement.
- (8) During fiscal year 2009, Mr. Bennett received two cash bonus payments of \$562,500 and \$337,500. The first payment was made pursuant to the terms of his employment agreement which expired May 20, 2008. The second payment was made as an incentive for Mr. Bennett to continue serving as the Company's interim chief executive officer beyond the original term of his employment agreement through the date the Company appointed a permanent chief executive officer.

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OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END TABLE

The following table summarizes the equity awards made to our Named Executive Officers which are outstanding as of April 30, 2009.

	Option Awards ⁽¹⁾					Stock Awards			Equity Incentive Plan Awards: Market Payoff Value of Unearned Shares or Other Rights That Have Not Vested
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#) Unearned	Exercise Price (\$)	Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#) ⁽²⁾⁽³⁾	Market Value of Stock That Have Not Vested (\$)	Unearned Shares, Units or Other Rights That Have Not Vested (#) ⁽⁴⁾	
Executive		500,000		\$24.75	8/06/18				
		100,000		\$27.75	8/06/18				
		100,000		\$30.75	8/06/18				
		100,000		\$33.75	8/06/18				
		100,000		\$36.75	8/06/18				
		96,401		\$21.81	7/03/18	4,069 ⁽²⁾	\$61,606	4,069 ⁽⁴⁾	\$61,606
	13,981	27,964		\$23.37	6/30/17	1,440 ⁽³⁾	\$21,802		
	20,936	10,469		\$23.86	6/30/16				
	20,000			\$29.18	6/30/15				
	16,000			\$23.84	6/30/14				
	16,000			\$21.63	6/30/13				
	20,000			\$23.08	6/30/12				
	20,000			\$17.53	8/07/11				
	77,120			\$21.81	7/31/10	4,585 ⁽²⁾	\$69,417	4,585 ⁽⁴⁾	\$69,417
	100,000			\$23.37	7/31/10				
	80,000			\$23.86	7/31/10				
	100,000			\$29.18	7/31/10				
	70,000			\$23.84	7/31/10				
	80,000			\$21.63	7/31/10				
	100,000			\$21.43	7/31/10				

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	179,855	\$23.76	10/01/18	12,417 ⁽²⁾	\$187,993	12,417 ⁽⁴⁾	\$187
	173,522	\$21.81	7/03/18	10,810 ⁽³⁾	\$163,664		
41,666	83,334	\$23.37	6/30/17				
83,333	41,667	\$23.86	6/30/16				
100,000		\$29.18	6/30/15				
100,000		\$24.24	6/28/14				
	57,841	\$21.81	7/03/18	4,639 ⁽²⁾	\$70,234	4,639 ⁽⁴⁾	\$70
10,000	20,000	\$23.37	6/30/17				
20,000	10,000	\$23.86	6/30/16				
26,000		\$29.18	6/30/15				
28,000		\$23.84	6/30/14				
28,000		\$21.63	6/30/13				
40,000		\$19.52	12/02/12				
150,000		\$19.46	12/03/12				

NOTES:

- ⁽¹⁾ Unvested stock options with an expiration date of July 3, 2018 vest in one third increments on July 3, 2009, July 3, 2010 and July 3, 2011. Unvested stock options with an expiration date of June 30, 2017 vest in one half increments on June 30, 2009 and June 30, 2010. Unvested stock options with an expiration date of June 30, 2016 vest on June 30, 2009. Mr. Smyth's unvested stock options with an expiration date of August 6, 2018 vest in one third increments on August 6, 2009, August 6, 2010 and August 6, 2011. Mr. Gokey's

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unvested stock options with an expiration date of October 1, 2018 vest in one half increments on October 1, 2010 and October 1, 2011.

- (2) Performance shares, to the extent earned, vest as follows: Ms. Shulman 1,338 shares on April 30, 2010 and 2,731 shares on April 30, 2011; Mr. Tait 4,585 shares on April 30, 2010; Mr. Gokey 7,500 shares on April 30, 2010 and 4,917 shares on April 30, 2011; and Ms. Serati 3,000 shares on April 30, 2010 and 1,639 shares on April 30, 2011.
- (3) Unvested restricted shares of the Company's common stock vest as follows: Ms. Shulman 720 shares vest on July 2, 2009 and 720 shares vest on July 2, 2010; Mr. Gokey 97 shares vest on July 3, 2009, 97 shares vest on July 3, 2010, 96 shares vest on July 3, 2011, 5,260 shares vest on October 1, 2010 and 5,260 shares vest on October 1, 2011.
- (4) Performance shares are based on target performance thresholds in light of actual performance against such thresholds in fiscal years 2008 and 2009, and vest, if ultimately earned, as follows: Ms. Shulman 1,337 shares on April 30, 2010 and 2,732 shares on April 30, 2011; Mr. Tait 4,585 shares on April 30, 2010; Mr. Gokey 7,500 shares on April 30, 2010 and 4,917 shares on April 30, 2011; and Ms. Serati 3,000 shares on April 30, 2010 and 1,639 shares on April 30, 2011.
- (5) Pursuant to the terms of the Gokey Separation Agreement, (i) the vesting schedule for some of Mr. Gokey's outstanding equity awards was accelerated and (ii) Mr. Gokey forfeited a portion of some of his outstanding equity awards, as more specifically set forth in footnote 17 to the Potential Payments Upon Termination or Change of Control Table on page 41 of this proxy statement.

Table of Contents**OPTION EXERCISES AND STOCK VESTED TABLE**

The following table summarizes the value realized by the Named Executive Officers on option award exercises and stock award vesting during the fiscal year ended April 30, 2009.

Name of Executive	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
Smyth				
Shulman			15,953	341,658
Tait			10,099	182,114
Gokey			26,223	438,752
Serati			9,156	146,973
Bennett				

NON-QUALIFIED DEFERRED COMPENSATION TABLE

The following table summarizes our Named Executive Officers' compensation under the H&R Block Deferred Compensation Plan for Executives during fiscal year 2009.

Name of Executive	Executive Contributions in Last FY (\$) ⁽¹⁾	Registrant Contributions in Last FY (\$) ⁽²⁾	Aggregate Earnings in Last FY (\$) ⁽³⁾	Aggregate Withdrawals/ Distributions (\$)	Aggregate Balance at Last FYE (\$) ⁽⁴⁾
Smyth					
Shulman	6,360	5,884	1,543		32,783
Tait	29,767	35,921	(113,415)	513,050	
Gokey	189,668	12,630	(117,325)		556,835
Serati	22,999	3,007	(31,173)		110,251
Bennett					

NOTES:

- (1) Amounts in this column reflect salary deferrals by the Named Executive Officers in fiscal year 2009. These amounts are also included in the Salary that is reported in the Summary Compensation Table.
- (2) Amounts in the column represent Company contributions during fiscal year 2009. These amounts are also reflected in the All Other Compensation that is reported in the Summary Compensation Table.
- (3) The amounts in this column are not included in the Summary Compensation Table because they are not above-market or preferential earnings on deferred compensation. Amounts included in this column for Ms. Serati and Messrs. Tait and Gokey reflect losses during fiscal year 2009.
- (4) Amounts in this column include, among other things, Named Executive Officer contributions and Company contributions previously reflected in Summary Compensation Tables included in the Company's proxy statements for the fiscal years ended April 30, 2007 (filed with the SEC on July 30, 2007) and April 30, 2008 (filed with the SEC on July 23, 2008) to the extent any such Named Executive Officer was included in the Company's Summary Compensation Table for such fiscal year(s).

H&R BLOCK DEFERRED COMPENSATION PLAN FOR EXECUTIVES

The Company provides the H&R Block Deferred Compensation Plan, a non-qualified plan (the DC Plan), to employees who meet the eligibility requirements. The DC Plan is intended to pay, out of the general assets of the Company, an amount substantially equal to the deferrals and Company contributions, adjusted for any earnings or losses.

Participants can elect to defer from 0% to 100% of eligible base salary and eligible commissions and up to 100% of annual bonus on a before tax basis. During 2009, the Company discontinued its annual match to the DC Plan. In eliminating the Company match, the Compensation Committee of the Board of Directors approved the immediate vesting of any previously unvested Company contributions.

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The DC Plan offers various investment alternatives to measure earnings including a fixed rate option and Company stock (limited to 25% of account balance). The deferrals are credited to a bookkeeping account in the participant's name. Earnings are indexed to the investment options selected by each participant. Participants may change or reallocate the investment mix at any time.

Participants can elect to receive in-service payments or lump-sum or monthly payments over one to 15 years following termination from service or disability. The DC Plan provides the payments following termination shall not be made before a date that is six months after the termination date. The DC Plan allows for distributions in the event of an unforeseeable financial emergency. In the event of a participant's death, the participant's survivor will be paid a single lump sum payment after a 45-day period following proof of the participant's death.

Amounts deferred, if any, under the DC Plan by Named Executive Officers are included in the Salary that is reported in the Summary Compensation Table.

EMPLOYMENT AGREEMENTS, CHANGE-OF-CONTROL AND OTHER ARRANGEMENTS

RUSSELL P. SMYTH EMPLOYMENT AGREEMENT

Russell P. Smyth is subject to an Employment Agreement with H&R Block Management, LLC (HRB), an indirect subsidiary of the Company, dated July 19, 2008 (the Smyth Agreement). Pursuant to the Smyth Agreement, Mr. Smyth will serve as the President and Chief Executive Officer of the Company, subject to the terms of the Smyth Agreement, for the period commencing August 1, 2008 and ending on July 31, 2011. The Smyth Agreement provides for, among other things, a base salary of \$950,000; participation in the Company's Short-Term Incentive Plan, with a minimum guaranteed bonus for fiscal year 2009 of 110% of Mr. Smyth's base salary (prorated based on actual base salary earned by Mr. Smyth during fiscal year 2009); a stock option to purchase 900,000 shares of Common Stock at certain exercise prices granted on August 6, 2008; reimbursement of reasonable moving and relocation expenses (grossed-up to cover any related income tax liability); a \$200,000 lump-sum cash relocation payment; and other fringe benefits as may be provided from time to time.

The Smyth Agreement provides that it may be terminated (i) by either party at any time for any reason upon 60 days prior written notice, (ii) by HRB for cause or disability (as each term is defined in the footnotes to the Potential Payments Upon Termination or Change of Control Table on pages 41 and 43 of this proxy statement), and (iii) by Mr. Smyth for good reason (as defined in the footnotes to the Potential Payments Upon Termination or Change of Control Table on page 42 of this proxy statement) upon 60 days prior written notice. If the Smyth Agreement is terminated (w) on account of Mr. Smyth's death or disability, (x) by the Company for cause, (y) by the Company other than for cause or disability, or (z) by Mr. Smyth for good reason (including following a change of control (as defined in the footnotes to the Potential Payments Upon Termination or Change of Control Table on page 42 of this proxy statement)), HRB is obligated to provide to Mr. Smyth those compensation and benefits set forth in the Potential Payments Upon Termination or Change of Control Table on page 41 of this proxy statement.

The Smyth Agreement contains the following post-termination restrictions on Mr. Smyth: (i) two-year non-solicitation of employees, (ii) two-year non-solicitation of customers, (iii) two-year non-competition, and (iv) two-year non-disparagement. If Mr. Smyth violates these restrictions, HRB may, subject to certain conditions, seek to recover or require reimbursement of short-term incentive compensation, equity compensation awards and/or severance payments.

BECKY S. SHULMAN EMPLOYMENT ARRANGEMENT

On March 28, 2008, Becky S. Shulman was elected Senior Vice President and Chief Financial Officer of the Company. Ms. Shulman is employed on an at will basis as an employee of HRB. Pursuant to this employment arrangement, Ms. Shulman receives a base salary and participates in the Company's Short-Term Incentive Plan and the Company's 2003 Long-Term Executive Compensation Plan.

If Ms. Shulman incurs a qualifying termination (as such term is defined in the footnotes to the Potential Payments Upon Termination or Change of Control Table on page 41 of this proxy statement), HRB is obligated to provide Ms. Shulman with those compensation and benefits set forth in the Potential Payments Upon Termination or Change of Control Table on page 41 of this proxy statement.

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TAMMY S. SERATI EMPLOYMENT AGREEMENT

Tammy S. Serati is subject to an Employment Agreement with HRB, dated December 2, 2002, as amended December 22, 2008 (the Serati Agreement), whereby effective December 2, 2002, she was employed as the Company's Senior Vice President, Human Resources. The Serati Agreement provides for, among other things, a base salary; participation in the Company's Short-Term Incentive Plan; a stock option to purchase shares of Common Stock granted on the effective date; restricted shares of Common Stock awarded promptly after the effective date; and other fringe benefits that may be provided from time to time.

The Serati Agreement provides that it may be terminated (i) by either party at any time for any reason upon 45 days prior written notice, (ii) by HRB without notice upon the occurrence of certain stated events, and (iii) by Ms. Serati for good reason following a change of control of the Company (as each term is defined in the footnotes to the Potential Payments Upon Termination or Change of Control Table on pages 42 and 43 of this proxy statement). If Ms. Serati incurs a qualifying termination (as defined in the footnotes to the Potential Payments Upon Termination or Change of Control Table on page 41 of this proxy statement) or if the Serati Agreement is terminated by Ms. Serati for good reason within 180 days following a change of control of the Company, HRB is obligated to provide to Ms. Serati with those compensation and benefits set forth in the Potential Payments Upon Termination or Change of Control Table on page 41 of this proxy statement.

The Serati Agreement contains the following post-termination restrictions on Ms. Serati: (i) one-year non-solicitation of employees, (ii) two-year non-solicitation of customers commencing on the later of the last day of employment or the cessation of payments under the Serati Agreement, and (iii) two-year non-competition commencing on the later of the last day of employment or the cessation of payments under the Serati Agreement. Severance benefits and compensation provided in connection with a qualifying termination or a change of control will be terminated if Ms. Serati violates these restrictions.

TIMOTHY C. GOKEY SEPARATION AND RELEASE AGREEMENT

Timothy C. Gokey resigned as President of HRB Tax Group, Inc. (f/k/a H&R Block Services, Inc.) (HRB Tax), an indirect subsidiary of the Company, on May 8, 2009, and entered into a Separation and Release Agreement with HRB Tax dated July 28, 2009 (the Gokey Separation Agreement). The Gokey Separation Agreement provides for Mr. Gokey to remain employed by HRB Tax through August 31, 2009 providing transition services to HRB Tax.

The Gokey Separation Agreement also provides for Mr. Gokey's separation of employment with HRB Tax to be treated as a qualifying termination (as defined in the footnotes to the Potential Payments Upon Termination or Change of Control Table on page 41 of this proxy statement) pursuant to the Employment Agreement between HRB Tax and Mr. Gokey dated June 28, 2004 (the Gokey Employment Agreement), obligating HRB Tax to provide Mr. Gokey with those compensation and benefits set forth in the Potential Payments Upon Termination or Change of Control Table on page 41 of this proxy statement. As consideration for the payment of such compensation and benefits, Mr. Gokey agrees to, among other things, release the Company and its subsidiaries (including HRB Tax) from any and all claims.

Mr. Gokey is subject to the following post-termination restrictions: (i) one-year non-hiring commencing on the later of the last day of employment or the cessation of payments, (ii) one-year non-solicitation of customers commencing on the later of the last day of employment or the cessation of payments, and (iii) one-year non-competition commencing on the later of the last day of employment or the cessation of payments. Severance benefits and compensation will be terminated if Mr. Gokey violates these restrictions.

During fiscal year 2009, Mr. Gokey was subject to the Gokey Employment Agreement which provided for, among other things, a base salary; participation in the Company's Short-Term Incentive Plan; stock option to purchase shares

of Common Stock granted on the effective date; restricted shares of the Company's Common Stock awarded on the effective date; and other fringe benefits as may be provided from time to time.

STEVEN TAIT SEPARATION AND RELEASE AGREEMENT

Steven Tait and RSM McGladrey Business Services, Inc. (RSM) entered into a Separation and Release Agreement dated January 20, 2009 (the Tait Separation Agreement). The Tait Separation Agreement provides for Mr. Tait to be employed as President of RSM through April 30, 2009.

The Tait Separation Agreement also provides for Mr. Tait's termination of employment with RSM to be treated as a qualifying termination (as defined in the footnotes to the Potential Payments Upon Termination or Change of Control Table on page 41 of this proxy statement) pursuant to the Employment Agreement between RSM and Mr. Tait dated April 1, 2003 (the Tait Employment Agreement), obligating RSM to provide Mr. Tait with those

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compensation and benefits set forth in the Potential Payments Upon Termination or Change of Control Table on page 41 of this proxy statement. As consideration for the payment of such compensation and benefits, Mr. Tait agrees to, among other things, release the Company and its subsidiaries (including RSM) from any and all claims.

Mr. Tait is subject to the following post-termination restrictions: (i) non-hiring of employees for so long as Mr. Tait is receiving post-termination payments (subject to a maximum of one year after the last day of employment), (ii) non-solicitation of customers for so long as Mr. Tait is receiving post-termination payments (subject to a maximum of one year after the last day of employment), and (iii) non-competition for so long as Mr. Tait receives payments under the Tait Agreement (subject to a maximum of one year after the last day of employment). Severance benefits and compensation will be terminated if Mr. Tait violates these restrictions.

ALAN M. BENNETT EMPLOYMENT ARRANGEMENT

Alan M. Bennett was subject to an Employment Agreement with HRB, whereby effective November 20, 2007 through May 20, 2008 he was employed as the interim Chief Executive Officer of the Company. The Bennett Agreement provided for, among other things, a base salary; a guaranteed bonus (unless he was terminated for cause or voluntarily terminated his employment prior to the expiration of the Bennett Agreement); a stock option to purchase shares of the Company's Common Stock granted on the effective date; and other fringe benefits that may be provided from time to time. Pursuant to the Bennett Agreement, the Company also provided on a tax grossed up basis (i) reasonable and customary furnished housing to Mr. Bennett while in Kansas City in connection with the Company's business and (ii) use of the Company's Net Jet share to Mr. Bennett and his family for one round trip per week between Mr. Bennett's Connecticut or Florida residences and Kansas City. The Company also reimbursed Mr. Bennett for rental car expenses while Mr. Bennett was at the Company's headquarters in connection with the Company's business and provided Mr. Bennett with other customary health and employment benefits.

The Bennett Agreement expired on May 20, 2008, and effective May 21, 2008, Mr. Bennett and the Company agreed to continue his appointment as the Company's interim Chief Executive Officer on an at will basis and on terms similar to those in the Bennett Agreement. Mr. Bennett resigned as the Company's interim Chief Executive Officer on July 31, 2008, when Russell P. Smyth was appointed as the Company's Chief Executive Officer.

OTHER ARRANGEMENTS

Stock option agreements entered into on or after June 30, 1996 between the Company and the recipients of stock options granted pursuant to the 1993 Long-Term Executive Compensation Plan and the 2003 Long-Term Executive Compensation Plan contain provisions that accelerate the vesting of options held more than six months in the event of certain changes in control. For purposes of such agreements, changes in control include (i) the purchase or other acquisition by a person, entity or group of persons of beneficial ownership of 20% or more of the Company's voting securities, (ii) the turnover of more than a majority of the directors on the Board of Directors as a result of a proxy contest or series of contests, (iii) either approval (for agreements entered into prior to June 30, 2001) by the Company's shareholders or completion (for agreements entered into on or after June 30, 2001) of (A) a reorganization or consolidation such that the shareholders immediately prior to the reorganization or consolidation do not, immediately after such reorganization or consolidation, own more than 50% of the voting securities of the reorganized or consolidated organization, or (B) the sale of all or substantially all of the assets of the Company, or (iv) approval by the Company's shareholders of a liquidation or dissolution of the Company.

Table of Contents**POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE OF CONTROL**

The following table summarizes the potential payments our Named Executive Officers would receive in the event of termination or a change of control of the Company. This table assumes the relevant triggering event occurred on April 30, 2009.

Name of Executive	Termination Other than for Cause ⁽¹⁾ or Severance ⁽²⁾ (\$)	Termination for Good Reason (\$) ⁽³⁾	Change of Control (\$) ⁽⁴⁾	Death or Disability (\$) ⁽⁵⁾
Smyth				
Cash (salary plus bonus) ⁽⁶⁾	1,500,000	1,500,000	2,683,750	
Restricted Stock (lapse of restrictions) ⁽⁷⁾				
Stock Options (vesting accelerated) ⁽⁸⁾				
Performance Shares ⁽⁹⁾				
Health and Welfare Plan Benefits ⁽¹⁰⁾	10,921	10,921	10,921	
Outplacement Services				
Shulman				
Cash (salary plus short term incentive) ⁽¹¹⁾	391,776			
Restricted Stock (lapse of restrictions) ⁽¹²⁾	10,901			
Stock Options (vesting accelerated) ⁽¹³⁾				
Performance Shares ⁽¹⁴⁾	54,565		54,565	54,565
Health and Welfare Plan Benefits				
Outplacement Services ⁽¹⁵⁾	15,000			
Tait⁽¹⁶⁾				
Cash (salary plus short term incentive)	827,688	N/A	N/A	N/A
Restricted Stock (lapse of restrictions)		N/A	N/A	N/A
Stock Options (vesting accelerated)		N/A	N/A	N/A
Performance Shares	100,984	N/A	N/A	N/A
Health and Welfare Plan Benefits	12,004	N/A	N/A	N/A
Outplacement Services	15,000	N/A	N/A	N/A
Gokey⁽¹⁷⁾				
Cash (salary plus short term incentive)	833,340	N/A	N/A	N/A
Restricted Stock (lapse of restrictions)	176,136	N/A	N/A	N/A
Stock Options (vesting accelerated)		N/A	N/A	N/A
Performance Shares	266,551	N/A	N/A	N/A
Health and Welfare Plan Benefits	10,008	N/A	N/A	N/A
Outplacement Services	15,000	N/A	N/A	N/A
Serati				
Cash (salary plus short term incentive) ⁽¹⁸⁾	373,996		373,996	
Restricted Stock (lapse of restrictions) ⁽¹⁹⁾				
Stock Options (vesting accelerated) ⁽¹³⁾				

Performance Shares ⁽¹⁴⁾	77,108	77,108	77,108
Health and Welfare Plan Benefits ⁽²⁰⁾	10,921	10,921	
Outplacement Services ⁽¹⁵⁾	15,000	15,000	

NOTES:

- (1) Applies only to Mr. Smyth. Cause under the Smyth Agreement, refers to any one or more of the following grounds unless cured within 10 days of receipt of notice thereof: (i) Mr. Smyth's misconduct that materially interferes with or materially prejudices the proper conduct of the business of the Company or any affiliate or which may reasonably result in harm to the reputation of the Company or any affiliate; (ii) Mr. Smyth's commission of an act materially and demonstrably detrimental to the good will of the Company or any affiliate, which act constitutes gross negligence or willful misconduct by Mr. Smyth in the performance of his material duties to the Company or any affiliate; (iii) Mr. Smyth's commission of any act of dishonesty or breach of trust resulting or intending to result in material personal gain or enrichment of Mr. Smyth at the expense of the Company or any affiliate; (iv) Mr. Smyth's violation of certain covenants related to non-solicitation of employees, non-solicitation of customers, non-competition and non-disparagement; or (v) Mr. Smyth's conviction of, or plea of nolo contendere to, a misdemeanor involving an act of moral turpitude or a felony.
- (2) Applies to Ms. Shulman and Ms. Serati. Under the H&R Block Severance Plan (the Severance Plan), Ms. Shulman and Ms. Serati are entitled to severance compensation in the event of a Qualifying Termination. A Qualifying Termination is defined under the Severance Plan to mean the involuntary termination of an employee, but does not include a termination resulting from: (i) the elimination of the employee's position where the employee was offered a comparable position with a subsidiary of the Company; (ii) a sale of assets or other corporate acquisition or disposition where the employee is offered a comparable position with the acquiring

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entity; (iii) the redefinition of an employee's position to a lower salary rate or grade; (iv) the termination of an employee for cause; or (v) the non-renewal of employment contracts. Additionally, (i) Mr. Tait experienced a Qualifying Termination under the Severance Plan pursuant to the Tait Separation Agreement and Tait Employment Agreement, as more fully described in footnote 16 to this Table and (ii) Mr. Gokey experienced a Qualifying Termination under the Severance Plan pursuant to the Gokey Separation Agreement and Gokey Employment Agreement, as more fully described in footnote 17 to this Table.

- (3) Termination for Good Reason under the Smyth Agreement refers to any one or more of the following grounds unless cured within 30 days of receipt of notice thereof: (i) a material diminution in Mr. Smyth's base compensation; (ii) a material diminution in Mr. Smyth's authority, duties, or responsibilities as President and Chief Executive Officer of the Company, reporting directly to the Company's Board of Directors (Block Board) (but, if the Company becomes a subsidiary of another entity, Block Board shall be deemed to refer to the board of directors (or other governing body) of the ultimate parent entity of the Company); (iii) a material change in the geographic location at which Mr. Smyth must perform the services; or (iv) any other action or inaction that constitutes a material breach by HRB of the Smyth Agreement.
- (4) (a) Under the Smyth Agreement, if during the 2-year period following a Change of Control of the Company, HRB terminates Mr. Smyth other than for Cause or Disability, or Mr. Smyth terminates for Good Reason, Mr. Smyth shall be entitled to those payments set forth in the table.

Under the Smyth Agreement, a Change in Control means: (i) the acquisition, other than from the Company, by any individual, entity or group (within the meaning of Section 13(d) (3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the Exchange Act)), of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 35% or more of the then outstanding voting securities of the Company entitled to vote generally in the election of directors, but excluding, for this purpose, (w) any such acquisition by the Company or any of its subsidiaries, or any employee benefit plan (or related trust) of the Company or its subsidiaries, (x) any corporation with respect to which, following such acquisition, more than 50% of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the shareholders who were the beneficial owners of the voting securities of the Company immediately prior to such acquisition in substantially the same proportion as their ownership, immediately prior to such acquisition, of the then outstanding voting securities of the Company entitled to vote generally in the election of directors, (y) pursuant to any acquisition by Mr. Smyth or any group of persons including Mr. Smyth, or (z) by any underwriter temporarily holding securities pursuant to an offering of such securities; (ii) during any 12-month period, individuals who, as of the date hereof, constitute the Board of Directors of the Company (the Incumbent Board) cease for any reason to constitute at least a majority of the Company's Board, provided that any individual or individuals becoming a director subsequent to the date hereof, whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least two-thirds of the Company's Board (or nominating committee thereof) will be considered as though such individual were a member or members of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the directors of the Company (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act); (iii) the completion of a reorganization, merger or consolidation of the Company, in each case, unless following such reorganization, merger or consolidation, the shareholders who were the beneficial owners of the voting securities of the Company immediately prior to such reorganization, merger or consolidation do not, following such reorganization, merger or consolidation, beneficially own, directly or indirectly, more than 50% of the then outstanding voting securities entitled to vote generally in the election of directors of the corporation resulting from such reorganization, merger or consolidation in substantially the same proportion as their ownership, immediately prior to such reorganization, merger or consolidation, of the voting securities of the Company entitled to vote generally in the election of directors; or (iv) a complete liquidation or dissolution of the Company or the consummation of a sale or other disposition of all or substantially all of the assets

of the Company to an entity that is not an affiliate of the Company.

(b) Under the Serati Agreement, if during the 180-day period following a Change of Control of the Company, Ms. Serati incurs an involuntary termination without Cause or Ms. Serati terminates for Good Reason, such termination shall be treated as a Qualifying Termination under the Severance Plan.

Under the Serati Agreement, a Change of Control means: (i) any one person, or more than one person acting as a group, acquires ownership of stock of the Company that, together with stock held by such person or group, constitutes more than 50 percent of the total fair market value or total voting power of the stock of the Company. If any one person, or more than one person acting as a group, is considered to own more than 50 percent of the total fair market value or total voting power of the stock of the Company, the acquisition of additional stock by the same person or persons shall not be considered to cause a change in the ownership of the corporation. An increase in the percentage of stock owned by any one person, or persons acting as a group, as a result of a transaction in which the Company acquires its stock in exchange for property will be treated as an acquisition of stock for purposes of this provision; (ii) any one person, or more than one person acting as a group, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) ownership of stock of the Company possessing 35 percent or more of the total voting power of the stock of the Company. If any one person, or more than one person acting as a group, is considered to effectively control a corporation within the meaning of Treasury Regulation § 1.409A-3(i)(5)(vi), the acquisition of additional control of the corporation by the same person or persons is not considered to cause a change in the effective control of the corporation; (iii) a majority of members of the Company's Board of Directors is replaced during any 12-month period by directors whose appointment or election is not endorsed by two-thirds (2/3) of the members of the Company's Board before the date of such appointment or election; or (iv) Any one person, or more than one person acting as a group, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) assets from the Company that have a total gross fair market value equal to or more than 50 percent of the total gross fair market value of all of the assets of the Company immediately before such acquisition or acquisitions. For this purpose, gross fair market value means the value of the assets of the Company, or the value of the assets being disposed of, determined without regard to any liabilities associated with

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such assets. Notwithstanding the foregoing, there is no Change of Control event when there is a transfer to an entity that is controlled by the shareholders of the Company immediately after the transfer. A transfer of assets by the Company is not treated as a change in the ownership of such assets if the assets are transferred to: (w) a shareholder of the Company (immediately before the asset transfer) in exchange for or with respect to its stock; (x) an entity, 50 percent or more of the total value or voting power of which is owned, directly or indirectly, by the Company; (y) a person, or more than one person acting as a group, that owns, directly or indirectly, 50 percent or more of the total value or voting power of all the outstanding stock of the Company; or (z) an entity, at least 50 percent of the total value or voting power of which is owned, directly or indirectly, by a person described in (y) above. For purposes of the foregoing, persons will be considered acting as a group in accordance with Sections 13(d)(3) and 14(d)(2) of the Securities Exchange Act of 1934, as amended, and IRC Section 409A.

Under the Serati Agreement, **Cause** means: (i) Ms. Serati's misconduct that interferes with or prejudices the proper conduct of the business of the Company or any affiliate or which may reasonably result in harm to the reputation of the Company or any affiliate; (ii) Ms. Serati's commission of an act materially and demonstrably detrimental to the good will of the Company or any affiliate, which act constitutes gross negligence or willful misconduct by Ms. Serati in the performance of her material duties to the Company or any affiliate; (iii) Ms. Serati's commission of any act of dishonesty or breach of trust resulting or intending to result in material personal gain or enrichment of Ms. Serati at the expense of the Company or any affiliate; (iv) Ms. Serati's violation of certain covenants relating to confidentiality, non-hiring of employees, non-solicitation of customers and non-competition; (v) Ms. Serati's conviction of a misdemeanor (involving an act of moral turpitude) or a felony; (vi) Ms. Serati's disobedience, insubordination or failure to discharge her duties; (vii) Ms. Serati's suspension by the Internal Revenue Service from participation in the Electronic Filing Program; (viii) the inability of the Company or any affiliate to participate, in whole or in part, in any activity subject to governmental regulation as the result of any action or inaction on the part of Ms. Serati; or (ix) Ms. Serati's death or total and permanent disability. The term **total and permanent disability** will have the meaning ascribed thereto under any long-term disability plan maintained by the Company for executives of the Company.

Under the Serati Agreement, **Good Reason** refers to any one or more of the following grounds unless cured within 30 days of receipt of notice thereof: (i) a material diminution in Ms. Serati's base compensation; (ii) a material diminution in Ms. Serati's authority, duties or responsibilities; (iii) a material change in the geographic location at which Ms. Serati must perform services; or (iv) any other action or inaction that constitutes a material breach by HRB of Ms. Serati's employment agreement.

- (5) **Disability** under the Smyth Agreement means Mr. Smyth's absence from his responsibilities with HRB on a full-time basis for 130 business days in any consecutive 12 months as a result of incapacity due to mental or physical illness or injury.
- (6) Under the Smyth Agreement, in the event of a termination by HRB other than for Cause or Disability or should Mr. Smyth terminate for Good Reason prior to July 31, 2014, HRB shall pay Mr. Smyth a lump sum cash payment equal to \$1.5 million. Under the Smyth Agreement, if during the two-year period following a Change in Control of the Company (i) HRB terminates Mr. Smyth other than for Cause or Disability or (ii) Mr. Smyth terminates for Good Reason, HRB shall pay Mr. Smyth a cash payment equal to two times his base salary and his target short-incentive compensation for the year in which the date of termination occurs.
- (7) Under the Smyth Agreement, in the event of a termination by HRB other than for Cause or Disability or should Mr. Smyth terminate for Good Reason prior to July 31, 2014, all restrictions on any non-vested restricted stock that would have lapsed during the 12-month period following the termination date shall immediately lapse. Under the Smyth Agreement, if during the two-year period following a Change in Control of the Company (i) HRB terminates Mr. Smyth other than for Cause or Disability or (ii) Mr. Smyth terminates for Good Reason, all restrictions on any non-vested restricted stock shall immediately lapse.

- (8) Under the Smyth Agreement, in the event of a termination by HRB other than for Cause or Disability or should Mr. Smyth terminate for Good Reason prior to July 31, 2014, all stock options to purchase Company stock that would have vested during the 12-month period following the termination date will immediately vest and any vested stock options will remain exercisable for 12 months following the termination date. Under the Smyth Agreement, if during the two-year period following a Change in Control of the Company (i) HRB terminates Mr. Smyth other than for Cause or Disability or (ii) Mr. Smyth terminates for Good Reason, all stock options to purchase Company stock shall immediately vest and will remain exercisable for 12 months following the termination date,
- (9) Under the Smyth Agreement, in the event of (i) a termination by HRB other than for Cause or Disability, (ii) a termination by Mr. Smyth for Good Reason prior to July 31, 2014, or (iii) a termination during the two-year period following a Change in Control of the Company by (y) HRB other than for Cause or Disability or (z) Mr. Smyth for Good Reason, HRB shall pay to Mr. Smyth a pro-rata award of any performance shares outstanding on the date of termination based on the achievement of the performance goals at the end of the applicable performance period, which payment shall in any event be made no later than two and one-half months after the end of the last fiscal year of the performance period to which it relates.
- (10) Under the Smyth Agreement, in the event of (i) a termination by HRB other than for Cause or Disability, (ii) a termination by Mr. Smyth for Good Reason prior to July 31, 2014, or (iii) a termination during the two-year period following a Change in Control of the Company by (y) HRB other than for Cause or Disability or (z) Mr. Smyth for Good Reason, Mr. Smyth will be entitled to 12 months of continuing coverage under the Company's health and welfare plans.
- (11) Under the Severance Plan, in the event of a Qualifying Termination HRB shall pay Ms. Shulman a lump sum cash payment equal to one month of Ms. Shulman's salary for each year of service. In addition, the Company shall pay a severance enhancement equal to one-twelfth of 60% of her salary for each year of service.
- (12) Under the Severance Plan, in the event of a Qualifying Termination all restrictions lapse on any non-vested restricted stock awarded to Ms. Shulman that would have lapsed within the 6-month period following termination.

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- (13) Under the Severance Plan, in the event of a Qualifying Termination all stock options to purchase Company stock which would otherwise become vested within 18 months of termination fully vest and shall be exercisable for a period of three months after termination of employment. In addition, the executive may extend the exercise period for a period of three months following the end of the severance period. Under the 2003 Long-Term Executive Compensation Plan, in the event of a Change of Control, all stock options to purchase Company stock awarded more than six months prior to the Change of Control fully vest.
- (14) Under the 2003 Long-Term Executive Compensation Plan, in the event of a Qualifying Termination as defined by the Severance Plan, Change of Control, Disability or Death, the executive will be paid a pro-rata award of any performance shares based upon achievement of performance goals and paid after the end of the applicable performance period.
- (15) Under the Severance Plan, the Company, at its discretion may provide certain career transition counseling or outplacement services.
- (16) Pursuant to the terms of the Tait Separation Agreement, Mr. Tait's termination of employment was treated as a Qualifying Termination under the Severance Plan entitling Mr. Tait to the following: (i) a lump sum cash severance payment and a severance enhancement; (ii) to remain eligible to receive a short-term incentive compensation bonus for fiscal year 2009; (iii) a lump-sum cash payment for 12 months of continuing coverage under the Company's health and welfare plans; (iv) all stock options to purchase Company stock that would have vested during the 18-month period following the termination date will vest as of the termination date and be immediately exercisable; (v) all restrictions on any non-vested restricted stock that would have lapsed during the 18-month period following the termination date shall lapse as of the termination date; (vi) to remain eligible to receive a pro-rata amount of performance shares granted on June 30, 2007 at the end of the three-year performance cycle based on RSM's performance against previously established performance goals for the 2007 grant period; and (vii) outplacement services for 12 months.
- (17) Pursuant to the terms of the Gokey Separation Agreement (dated July 28, 2009), Mr. Gokey's separation of employment was treated as a Qualifying Termination under the Severance Plan entitling Mr. Gokey to the following: (i) a lump-sum cash severance payment (equal to Mr. Gokey's salary for 12 months and Mr. Gokey's target short-term incentive compensation); (ii) a lump-sum cash payment for 12 months of continuing coverage under the Company's health and welfare plans; (iii) all options to purchase Company stock that would have vested during the 18-month period following the separation date (August 31, 2009) will vest as of the separation date and be immediately exercisable; provided that, the 179,855 stock options to purchase Company stock awarded to Mr. Gokey on October 1, 2008 (as part of a retention package more fully described on page 27) will vest as of the separation date; (iv) all restrictions on any non-vested restricted stock that would have lapsed during the 18-month period following the separation date shall lapse as of the separation date; provided that, all restrictions on the 10,520 shares of restricted stock awarded to Mr. Gokey on October 1, 2008 (as part of a retention package more fully described on page 27) shall lapse as of the separation date; (v) to remain eligible to receive a pro-rata amount of performance shares granted on June 30, 2007 and June 30, 2008 at the end of the related three-year performance cycle based on the Company's performance against previously established performance goals for the 2007 and 2008 grant periods; and (vi) outplacement services for 12 months.

The Company used its closing market price as of July 24, 2009 for purposes of valuing Mr. Gokey's equity compensation (options, restricted stock and performance shares) under the Gokey Separation Agreement (Mr. Gokey's separation date is August 31, 2009).

(18)

Under the Serati Agreement, in the event (i) Ms. Serati experiences a Qualifying Termination (as defined under the Severance Plan), or (ii) HRB involuntary terminates Ms. Serati without Cause or Ms. Serati terminates for Good Reason following a Change of Control of the Company, HRB shall pay a lump sum cash payment equal to one month of Ms. Serati's salary for each year of service (Ms. Serati is credited with a minimum of 12 years of service for purposes of this payment). In addition, Ms. Serati will be credited with the lesser of (y) one-twelfth of her target payout under the short term incentive plan as of her last day of employment or (z) one-twelfth of her actual payout under the short-term incentive plan for the fiscal year immediately prior to her last day of service, multiplied by her years of service.

- (19) Under the Serati Agreement, in the event (i) Ms. Serati experiences a Qualifying Termination (as defined under the Severance Plan), (ii) HRB involuntary terminates Ms. Serati without Cause, or (iii) Ms. Serati terminates for Good Reason following a Change of Control of the Company, all restrictions lapse on any non-vested restricted stock awarded to Ms. Serati that would have lapsed within the 6-month period following termination.
- (20) Under the Serati Agreement, in the event (i) Ms. Serati experiences a Qualifying Termination (as defined under the Severance Plan), (ii) HRB involuntary terminates Ms. Serati without Cause, or (iii) Ms. Serati terminates for Good Reason following a Change of Control of the Company, Ms. Serati will receive a lump-sum cash payment equal to 12 months of continuing coverage under the Company's health and welfare plans.

Table of Contents**EQUITY COMPENSATION PLANS**

The following table provides information about the Company's Common Stock that may be issued upon the exercise of options, warrants and rights under all of the Company's existing equity compensation plans as of April 30, 2009. As of April 30, 2009, the Company had four stock-based compensation plans: the 2003 Long-Term Executive Compensation Plan, the 2008 Deferred Stock Unit Plan for Outside Directors, the 1999 Stock Option Plan for Seasonal Employees, and the 2000 Employee Stock Purchase Plan. The shareholders have approved all of the Company's current stock-based compensation plans. The shareholders approved the 2003 Plan in September 2002 to replace the 1993 Long-Term Executive Compensation Plan, effective July 1, 2003. The 1993 Plan terminated at that time, except with respect to outstanding awards thereunder. The shareholders had approved the 1993 Plan in September 1993 to replace the 1984 Long-Term Executive Compensation Plan, which terminated at that time except with respect to outstanding options thereunder. The shareholders approved the 2008 Deferred Stock Unit Plan in September 2008 to replace the 1989 Stock Option Plan for Outside Directors, except with respect to outstanding awards thereunder.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants, and rights (A)	Weighted-average exercise price of outstanding options, warrants, and rights (B)	Number of securities remaining available for future issuance under equity compensation plans excluding securities reflected in column (A) (C)
Equity compensation plans approved by security holders	16,081,000	\$21.83	11,540,000
Equity compensation plans not approved by security holders			
Total	16,081,000	\$21.83	11,540,000

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The following table shows as of June 1, 2009 the number of shares of Common Stock beneficially owned by each nominee for election as director, by each of the Named Executive Officers and by all directors and executive officers as a group. The number of shares beneficially owned is determined under rules of the Securities and Exchange Commission. The information is not necessarily indicative of beneficial ownership for any other purpose. Under these rules, beneficial ownership includes any shares as to which the individual has either sole or shared voting power or investment power and also any shares that the individual has the right to acquire within 60 days through the exercise of any stock option or other right. Unless otherwise indicated in the footnotes, each person has sole voting and investment power with respect to shares set forth in the following table.

Name	Number of Shares			Percent of Class
	Beneficially Owned ⁽¹⁾	Share Units and Share Equivalents ⁽²⁾	Total	
Alan M. Bennett	150,000	4,273	154,273	*
Thomas M. Bloch	259,424 ⁽³⁾	8,547	267,971	*
Richard C. Breeden	13,329,738 ⁽⁴⁾	8,547 ⁽⁵⁾	13,338,285	3.98
Robert A. Gerard	6,000 ⁽⁶⁾	8,547	14,547	*
Timothy C. Gokey ⁽⁷⁾	447,700 ⁽⁸⁾	0	447,700	*
Len J. Lauer	26,000	8,547	34,547	*
David B. Lewis	28,000	8,547	36,547	*
Tom D. Seip	56,437	8,547	64,984	*
Tammy S. Serati	185,993 ⁽⁹⁾	1,565	187,558	*
L. Edward Shaw, Jr.	0	8,547 ⁽⁵⁾	8,547	*
Becky S. Shulman	178,648 ⁽¹⁰⁾	0	178,648	*
Russell P. Smyth	0	0	0	*
Steven Tait ⁽¹¹⁾	635,537	0	635,537	*
Christianna Wood	0	4,986	4,986	*
All directors and executive officers as a group (15 persons)	15,319,709 ⁽¹²⁾⁽¹³⁾	70,650	15,390,359	4.60%

* Less than 1%

⁽¹⁾ Includes shares that on June 1, 2009 the specified person had the right to purchase as of June 30, 2009 pursuant to options granted in connection with the Company's 1989 Stock Option Plan for Outside Directors or the Company's 2003 Long-Term Executive Compensation Plans, as follows: Mr. Bennett, 150,000 shares; Mr. Bloch, 60,000 shares; Mr. Breeden, 37,595 shares; Mr. Gokey, 408,333 shares; Mr. Lauer, 16,000 shares; Mr. Lewis, 24,000 shares; Mr. Seip, 48,000 shares; Ms. Serati, 172,000 shares; Ms. Shulman, 151,368 shares; Mr. Tait, 527,120 shares.

⁽²⁾ These amounts reflect share unit balances in the Company's Deferred Compensation Plan for Directors, the Company's Deferred Compensation Plan for Executives and/or the 2008 Deferred Stock Unit Plan for Outside

Directors. The value of the share units mirrors the value of the Company's Common Stock. The share units do not have voting rights.

- (3) Mr. Bloch has shared voting and shared investment power with respect to 121,200 of these shares. Mr. Bloch disclaims beneficial ownership of 100,000 shares held by M&H Bloch Partners, LP, except to the extent of his partnership interest therein.
- (4) Mr. Breeden is the managing member of Breeden Capital Partners LLC, managing member and chairman and chief executive of Breeden Capital Management LLC and the Key Principal of Breeden Partners (Cayman) Ltd. Breeden Capital Partners LLC is in turn the general partner of Breeden Partners L.P., Breeden Partners (California) L.P., Breeden Partners (California) II L.P, and Breeden Partners (New York) I L.P. Pursuant to Rule 16a-1(a)(2)(ii)(B) of the Exchange Act, Mr. Breeden in his capacity as managing member and Key Principal, as well as chairman and chief executive officer of Breeden Capital Management LLC, may be deemed to be the beneficial owner of 13,292,143 shares owned by Breeden Partners (Cayman) Ltd., Breeden Partners L.P., Breeden Partners (California) L.P. , Breeden Partners (California) II L.P, and Breeden Partners (New York) I L.P (the Breeden Funds). Under the governing documents of Breeden Capital Management LLC and related investment funds, compensation received by Mr. Breeden with respect to stock options included in this figure (37,995 shares) for service as a director of the Company is turned over to the investment funds. Mr. Breeden has no interest in such compensation other than to the extent of his pro rata ownership interest in the investment funds.
- (5) Pursuant to the governing documents of Breeden Capital Management LLC and related investment funds, compensation received by Messrs. Breeden and Shaw for service as directors of the Company is turned over to the investment funds. Messrs. Breeden and Shaw have no interest in such compensation other than to the extent of their pro rata ownership interest in the investment funds.

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- (6) Mr. Gerard disclaims beneficial ownership of 6,000 shares which are held by GFP, L.P., except to the extent of his partnership interest therein.
- (7) Mr. Gokey resigned as President of U.S. Tax Operations of HRB Tax Group, Inc. on May 8, 2009.
- (8) Includes 10,810 shares of restricted stock granted under the Company's 2003 Long-Term Executive Compensation Plan.
- (9) Includes 3,298 shares held in the Employee Stock Purchase Plan (the ESPP).
- (10) Includes 1,440 shares of restricted stock granted under the Company's 2003 Long-Term Executive Compensation Plan and 2,960 shares in the ESPP.
- (11) Mr. Tait resigned as President of RSM McGladrey Business Services, Inc. as of April 30, 2009.
- (12) Includes shares held by certain family members of such directors and officers or in trusts or custodianships for such members (directly or through nominees) in addition to 1,681,124 shares which such directors and officers have the right to purchase as of June 30, 2009 pursuant to options granted in connection with the Company's stock option plans.
- (13) Includes 15,198,509 shares held with sole voting and investment powers and 121,200 shares held with shared voting and investment powers.

PRINCIPAL SECURITY HOLDERS

The following table sets forth the name, address and share ownership of each person or organization known to the Company to be the beneficial owner of more than 5% of the outstanding Common Stock of the Company. The information provided is based upon Schedule 13G filings with the Securities and Exchange Commission.

Name and Address of Beneficial Owner	Shares Beneficially Owned	Percent of Common Stock Outstanding
Davis Selected Advisers, L.P. 2949 East Elvira Road, Suite 101 Tucson, Arizona 85706	44,199,330	13.04% ⁽¹⁾
T. Rowe Price Associates, Inc. 100 E. Pratt Street Baltimore, Maryland 21202	21,420,595	6.3% ⁽²⁾
FMR LLC 82 Devonshire Street Boston, Massachusetts 02109	20,360,258	6.007% ⁽³⁾

- (1) Information as to the number of shares and the percent of Common Stock outstanding is as of December 31, 2008 and is furnished in reliance on the Schedule 13G/A of Davis Selected Advisers, L.P. filed on February 13, 2009. The Schedule 13G/A indicates that the number of shares beneficially owned includes 41,108,495 shares with sole voting power and 44,199,330 shares with sole dispositive power.
- (2) Information as to the number of shares and the percent of Common Stock outstanding is as of December 31, 2008 and is furnished in reliance on the Schedule 13G/A of T. Rowe Price Associates, Inc. filed on February 11, 2009. The Schedule 13G/A indicates that the number of shares beneficially owned includes 5,077,909 shares with sole voting power and 21,418,695 shares with sole dispositive power.
- (3) Information as to the number of shares and the percent of Common Stock outstanding is as of December 31, 2008 and is furnished in reliance on the Schedule 13G of FMR LLC filed on February 17, 2009. The Schedule 13G indicates that the number of shares beneficially owned includes 2,104,434 shares with sole voting power and 20,360,258 shares with sole dispositive power.

OTHER MATTERS

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors, executive officers and beneficial owners of more than 10% of any class of the Company's equity securities to file reports of ownership and changes in ownership of the Company's Common Stock. To the best of the Company's knowledge, all required reports were filed on time and all transactions by the Company's directors and executive officers were reported on time, except for the failure to timely report on a Form 4 a grant of stock options to Russell P. Smyth shortly after his

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employment with the Company. Such failure was inadvertent and based upon an administrative error, and the transactions were ultimately reported on a Form 5 which was filed on behalf of Mr. Smyth.

REVIEW OF RELATED PERSON TRANSACTIONS

The Board has adopted a Related Party Transaction Approval Policy (the Policy), which is in writing and is administered by the Company s management and the Governance and Nominating Committee. Under the Policy, the Company s management will determine whether a transaction meets the requirements of a Related Party Transaction. Upon such a determination, the Governance and Nominating Committee will review the material facts of the Related Party Transaction and either approve or ratify the transaction (subject to certain exceptions which are deemed pre-approved) taking into account, among other factors it deems appropriate, whether the transaction is on terms no less favorable than those generally available to an unaffiliated third party under the same or similar circumstances and the extent of the Related Party s interest in the transaction. If advance approval of a Related Party Transaction is not feasible, the Governance and Nominating Committee must ratify the transaction at its next regularly scheduled meeting or the transaction must be rescinded. No director who is a Related Party with respect to a Related Party Transaction may participate in any discussion or approval of such transaction, except that the director must provide all material information concerning the transaction to the Governance and Nominating Committee.

A Related Party Transaction is any transaction, arrangement or relationship, or any series of transactions, arrangements or relationships in which the Company or any of its subsidiaries is a participant, the amount involved will or may be expected to exceed \$120,000 in any fiscal year and a Related Party has or will have a direct or indirect interest.

A Related Party is any (1) Section 16 executive officer, director or nominee for election as a director, (2) greater than 5% beneficial owner of the Company s Common Stock, or (3) immediate family member of any of the foregoing.

SHAREHOLDER PROPOSALS AND NOMINATIONS

For a shareholder proposal to be considered for inclusion in the Company s proxy statement for the 2010 Annual Meeting pursuant to Rule 14a-8 of the Securities and Exchange Commission, the Company must receive notice at our offices at One H&R Block Way, Kansas City, Missouri 64105, Attention: Corporate Secretary, on or before April 14, 2010. Applicable Securities and Exchange Commission rules and regulations govern the submission of shareholder proposals and our consideration of them for inclusion in next year s proxy statement and form of proxy.

Pursuant to the Company s Amended and Restated Bylaws, for any business not included in the proxy statement for the 2010 Annual Meeting to be brought before the meeting by a shareholder, the shareholder must give timely written notice of that business to the Corporate Secretary. To be timely, the notice must be received no later than June 28, 2010 (45 days prior to August 12, 2010). The notice must contain the information required by the Company s Bylaws. Similarly, a shareholder wishing to submit a director nomination directly at an annual meeting of shareholders must deliver written notice of the nomination within the time period described in this paragraph and comply with the information requirements in our Bylaws relating to shareholder nominations.

A proxy may confer discretionary authority to vote on any matter at a meeting if we do not receive notice of the matter within the time frames described above. A copy of the Company s Bylaws is available on our website at www.hrblock.com under the tab Company and then under the heading Block Investors and then Corporate Governance, or upon request to: H&R Block, Inc., One H&R Block Way, Kansas City, Missouri 64105, Attention: Corporate Secretary. The Chairman of the meeting may exclude matters that are not properly presented in accordance

with the foregoing requirements.

The Board of Directors knows of no other matters which will be presented at the meeting, but if other matters do properly come before the meeting, it is intended that the persons named in the proxy will vote according to their best judgment.

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

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**APPENDIX A
H&R BLOCK, INC.
2003 LONG-TERM EXECUTIVE COMPENSATION PLAN (AS AMENDED)**

1. PURPOSES. The purposes of this 2003 Long-Term Executive Compensation Plan are to provide incentives and rewards to those employees and persons largely responsible for the success and growth of H&R Block, Inc. and its subsidiary corporations, and to assist all such corporations in attracting and retaining executives and other key employees and persons with experience and ability.

2. DEFINITIONS.

(a) **Award** means one or more of the following: shares of Common Stock, Restricted Shares, Stock Options, Incentive Stock Options, Stock Appreciation Rights, Performance Shares, Performance Units and any other rights which may be granted to a Recipient under the Plan.

(b) **Committee** means the Compensation Committee described in Section 3.

(c) **Common Stock** means the Common Stock, without par value, of the Company.

(d) **Company** means H&R Block, Inc., a Missouri corporation, and, unless the context otherwise requires, includes its subsidiary corporations (as defined in Section 424(f) of the Internal Revenue Code) and their respective divisions, departments and subsidiaries and the respective divisions, departments and subsidiaries of such subsidiaries.

(e) **Incentive Stock Option** means a Stock Option which meets all of the requirements of an incentive stock option as defined in Section 422(b) of the Internal Revenue Code.

(f) **Internal Revenue Code** means the Internal Revenue Code of 1986, as now in effect or hereafter amended.

(g) **Performance Period** means that period of time specified by the Committee during which a Recipient must satisfy any designated performance goals in order to receive an Award.

(h) **Performance Share** means the right to receive, upon satisfying designated performance goals within a Performance Period, shares of Common Stock, cash, or a combination of cash and shares of Common Stock, based on the market value of shares of Common Stock covered by such Performance Shares at the close of the Performance Period.

(i) **Performance Unit** means the right to receive, upon satisfying designated performance goals within a Performance Period, shares of Common Stock, cash, or a combination of cash and shares of Common Stock.

(j) **Plan** means this 2003 Long-Term Executive Compensation Plan, as the same may be amended from time to time.

(k) **Recipient** means an employee of the Company or other person who has been granted an Award under the Plan.

(l) **Restricted Share** means a share of Common Stock issued to a Recipient hereunder subject to such terms and conditions, including, without limitation, forfeiture or resale to the Company, and to such restrictions against sale, transfer or other disposition, as the Committee may determine at the time of issuance.

(m) **Stock Appreciation Right** means the right to receive, upon exercise of a stock appreciation right granted under this Plan, shares of Common Stock, cash, or a combination of cash and shares of Common Stock, based on the increase in the market value of the shares of Common Stock covered by such stock appreciation right from the initial day of the Performance Period for such stock appreciation right to the date of exercise.

(n) **Stock Option** means the right to purchase, upon exercise of a stock option granted under this Plan, shares of the Company's Common Stock.

3. ADMINISTRATION OF THE PLAN. The Plan shall be administered by the Committee which shall consist of directors of the Company, to be appointed by and to serve at the pleasure of the Board of Directors of the

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Company. A majority of the Committee members shall constitute a quorum and the acts of a majority of the members present at any meeting at which a quorum is present, or acts approved in writing by a majority of the Committee, shall be valid acts of the Committee, however designated, or the Board of Directors of the Company if the Board has not appointed a Committee.

The Committee shall have full power and authority to construe, interpret and administer the Plan and, subject to the powers herein specifically reserved to the Board of Directors and subject to the other provisions of this Plan, to make determinations which shall be final, conclusive and binding upon all persons including, without limitation, the Company, the shareholders of the Company, the Board of Directors, the Recipients and any persons having any interest in any Awards which may be granted under the Plan. The Committee shall impose such additional conditions upon the grant and exercise of Awards under this Plan as may from time to time be deemed necessary or advisable, in the opinion of counsel to the Company, to comply with applicable laws and regulations. The Committee from time to time may adopt rules and regulations for carrying out the Plan and written policies for implementation of the Plan. Such policies may include, but need not be limited to, the type, size and terms of Awards to be made to Recipients and the conditions for payment of such Awards.

4. ABSOLUTE DISCRETION. The Committee may, in its sole and absolute discretion (subject to the Committee's power to delegate certain authority in accordance with the second paragraph of this Section 4), at any time and from time to time during the continuance of the Plan, (i) determine which Recipients shall be granted Awards under the Plan, (ii) grant to any Recipient so selected such an Award, (iii) determine the type, size and terms of Awards to be granted (subject to Sections 6, 10 and 11 hereof), (iv) establish objectives and conditions for receipt of Awards, (v) place conditions or restrictions on the payment or exercise of Awards, and (vi) do all other things necessary and proper to carry out the intentions of this Plan; provided, however, that, in each and every case, those Awards which are Incentive Stock Options shall contain and be subject to those requirements specified in Section 422 of the Internal Revenue Code and shall be granted only to those persons eligible thereunder to receive the same.

The Committee may at any time and from time to time delegate to the Chief Executive Officer of the Company authority to take any or all of the actions that may be taken by the Committee as specified in this Section 4 or in other sections of the Plan in connection with the determination of Recipients, types, sizes, terms and conditions of Awards under the Plan and the grant of any such Awards, provided that any authority so delegated (a) shall apply only to Awards to employees of the Company that are not officers of Company under Regulation Section 240.16a-1(f) promulgated pursuant to Section 16 of the Securities Exchange Act of 1934, and (b) shall be exercised only in accordance with the Plan and such rules, regulations, guidelines, and limitations as the Committee shall prescribe.

5. ELIGIBILITY. Awards may be granted to any employee of the Company or to the non-executive Chairman of the Board of the Company. No member of the Committee (other than any *ex officio* member or the non-executive Chairman of the Board of the Company) shall be eligible for grants of Awards under the Plan. A Recipient may be granted multiple forms of Awards under the Plan. Incentive Stock Options may be granted under the Plan to a Recipient during any calendar year only if the aggregate fair market value (determined as of the date the Incentive Stock Option is granted) of Common Stock with respect to which Incentive Stock Options are exercisable for the first time by such Recipient during any calendar year under the Plan and any other incentive stock option plans (as defined in the Internal Revenue Code) maintained by the Company does not exceed the sum of \$100,000.

6. STOCK SUBJECT TO THE PLAN. The total number of shares of Common Stock issuable under this Plan may not at any time exceed 14,000,000 shares, subject to adjustment as provided herein. All of such shares may be issued or issuable in connection with the exercise of Incentive Stock Options. Shares of Common Stock not actually issued pursuant to an Award shall be available for future Awards. Shares of common Stock to be delivered or purchased under the Plan may be either authorized but unissued Common Stock or treasury shares. The total number of shares of Common Stock that may be subject to one or more Awards granted to any one Recipient during a calendar year may

not exceed 1,000,000, subject to adjustment as provided in Section 16 of the Plan.

7. AWARDS.

(a) Awards under the Plan may include, but need not be limited to, shares of Common Stock, Restricted Shares, Stock Options, Incentive Stock Options, Stock Appreciation Rights, Performance Shares and Performance Units. The amount of each Award may be based upon the market value of a share of Common

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Stock. The Committee may make any other type of Award which it shall determine is consistent with the objectives and limitations of the Plan.

(b) The Committee may establish performance goals to be achieved within such Performance Periods as may be selected by it using such measures of the performance of the Company as it may select as a condition to the receipt of any Award.

8. VESTING REQUIREMENTS. The Committee may determine that all or a portion of an Award or a payment to a Recipient pursuant to an Award, in any form whatsoever, shall be vested at such times and upon such terms as may be selected by it.

9. DEFERRED PAYMENTS AND DIVIDEND AND INTEREST EQUIVALENTS.

(a) The Committee may determine that the receipt of all or a portion of an Award or a payment to a Recipient pursuant to an Award, in any form whatsoever, shall be deferred. Deferrals shall be for such periods and upon such terms as the Committee may determine.

(b) The Committee may provide, in its sole and absolute discretion, that a Recipient to whom an Award is payable in whole or in part at a future time in shares of Common Stock shall be entitled to receive an amount per share equal in value to the cash dividends paid per share on issued and outstanding shares as of the dividend record dates occurring during the period from the date of the Award to the date of delivery of such share to the Recipient. The Committee may also authorize, in its sole and absolute discretion, payment of an amount which a Recipient would have received in interest on (i) any Award payable at a future time in cash during the period from the date of the Award to the date of payment, and (ii) any cash dividends paid on issued and outstanding shares as of the dividend record dates occurring during the period from the date of an Award to the date of delivery of shares pursuant to the Award. Any amounts provided under this subsection shall be payable in such manner, at such time or times, and subject to such terms and conditions as the Committee may determine in its sole and absolute discretion.

10. STOCK OPTION PRICE. The purchase price per share of Common Stock under each Stock Option shall be determined by the Committee, but shall not be less than market value (as determined by the Committee) of one share of Common Stock on the date the Stock Option or Incentive Stock Option is granted. Payment for exercise of any Stock Option granted hereunder shall be made (a) in cash, or (b) by delivery of Common Stock having a market value equal to the aggregate option price, or (c) by a combination of payment of cash and delivery of Common Stock in amounts such that the amount of cash plus the market value of the Common Stock equals the aggregate option price.

11. STOCK APPRECIATION RIGHT VALUE. The base value per share of Common Stock covered by an Award in the form of a Stock Appreciation Right shall be the market value of one share of Common Stock on the date the Award is granted.

12. CONTINUATION OF EMPLOYMENT. The Committee shall require that a Recipient be an employee or director of the Company at the time an Award is paid or exercised. The Committee may provide for the termination of an outstanding Award if a Recipient ceases to be an employee or director of the Company and may establish such other provisions with respect to the termination or disposition of an Award on the death or retirement of a Recipient (or not being re-elected to the Board of Directors) as it, in its sole discretion, deems advisable. The Committee shall have the sole power to determine the date of any circumstances which shall constitute a cessation of employment or term as a director and to determine whether such cessation is the result of retirement, death or any other reason.

13. REGISTRATION OF STOCK. Each Award shall be subject to the requirement that if at any time the Committee shall determine that qualification or registration under any state or federal law of the shares of Common

Stock, Restricted Shares, Stock Options, Incentive Stock Options, or other securities thereby covered or the consent or approval of any governmental regulatory body is necessary or desirable as a condition of or in connection with the granting of such Award or the purchase of shares thereunder, the Award may not be paid or exercised in whole or in part unless and until such qualification, registration, consent or approval shall have been effected or obtained free of any conditions the Committee, in its discretion, deems unacceptable.

14. EMPLOYMENT STATUS. No Award shall be construed as imposing upon the Company the obligation to continue the employment or term of a Recipient. No employee or other person shall have any claim or right to be granted an Award under the Plan.

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

16. DILUTION OR OTHER ADJUSTMENTS. In the event of any changes in the capital structure of the Company, including but not limited to a change resulting from a stock dividend or split-up, or combination or reclassification of shares, the Board of Directors shall make such equitable adjustments with respect to Awards or any provisions of this Plan as it deems necessary and appropriate, including, if necessary, any adjustment in the maximum number of shares of Common Stock subject to the Plan, the maximum number of shares that may be subject to one or more Awards granted to any one Recipient during a calendar year, or the number of shares of Common Stock subject to an outstanding Award.

17. MERGER, CONSOLIDATION, REORGANIZATION, LIQUIDATION, ETC. If the Company shall become a party to any corporate merger, consolidation, major acquisition of property for stock, reorganization, or liquidation, the Board of Directors shall make such arrangements it deems advisable with respect to outstanding Awards, which shall be binding upon the Recipients of outstanding Awards, including, but not limited to, the substitution of new Awards for any Awards then outstanding, the assumption of any such Awards and the termination of or payment for such Awards.

18. WITHHOLDING TAXES. The Company shall have the right to deduct from all Awards hereunder paid in cash any federal, state, local or foreign taxes required by law to be withheld with respect to such Awards and, with respect to Awards paid in other than cash, to require the payment (through withholding from the Recipient's salary or otherwise) of any such taxes. Subject to such conditions as the Committee may establish, Awards payable in shares of Common Stock, or in the form of an Incentive Stock Option or Stock Option, may provide that the Recipients thereof may elect, in accordance with any applicable regulations, to satisfy all or any part of the tax required to be withheld by the Company in connection with such Award, or the exercise of such Incentive Stock Option or Stock Option, by electing to have the Company withhold a number of shares of Common Stock awarded, or purchased pursuant to such exercise, having a fair market value on the date the tax withholding is required to be made equal to or less than the amount required to be withheld.

19. COSTS AND EXPENSES. The cost and expenses of administering the Plan shall be borne by the Company and not charged to any Award or to any Recipient.

20. FUNDING OF PLAN. The Plan shall be unfunded. The Company shall not be required to establish any special or separate fund or to make any other segregation of assets to assure the payment of any Award under the Plan.

21. AWARD CONTRACTS. The Committee shall have the power to specify the form of Award contracts to be granted from time to time pursuant to and in accordance with the provisions of the Plan and such contracts shall be final, conclusive and binding upon the Company, the shareholders of the Company and the Recipients. No Recipient shall have or acquire any rights under the Plan except such as are evidenced by a duly executed contract in the form thus specified. No Recipient shall have any rights as a holder of Common Stock with respect to Awards hereunder

unless and until certificates for shares of Common Stock or Restricted Shares are issued to the Recipient.

22. GUIDELINES. The Board of Directors of the Company shall have the power to provide guidelines for administration of the Plan by the Committee and to make any changes in such guidelines as from time to time the Board deems necessary.

23. AMENDMENT AND DISCONTINUANCE. The Board of Directors of the Company shall have the right at any time during the continuance of the Plan to amend, modify, supplement, suspend or terminate the Plan, provided that in the absence of the approval of the holders of a majority of the shares of Common Stock of the Company present in person or by proxy at a duly constituted meeting of shareholders of the Company, no such

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amendment, modification or supplement shall (i) increase the aggregate number of shares which may be issued under the Plan, unless such increase is by reason of any change in capital structure referred to in Section 16 hereof, (ii) change the termination date of the Plan provided in Section 24, (iii) delete or amend the market value restrictions contained in Sections 10 and 11 hereof, (iv) materially modify the requirements as to eligibility for participation in the Plan, or (v) materially increase the benefits accruing to participants under the Plan, and provided further, that no amendment, modification or termination of the Plan shall in any manner affect any Award of any kind theretofore granted under the Plan without the consent of the Recipient of the Award, unless such amendment, modification or termination is by reason of any change in capital structure referred to in Section 16 hereof or unless the same is by reason of the matters referred to in Section 17 hereof.

24. TERMINATION. The Committee may grant Awards at any time prior to July 1, 2013, on which date this Plan will terminate except as to Awards then outstanding hereunder, which Awards shall remain in effect until they have expired according to their terms or until July 1, 2023, whichever first occurs. No Incentive Stock Option shall be exercisable later than 10 years following the date it is granted.

25. APPROVAL. This Plan shall take effect July 1, 2003, contingent upon prior approval by the shareholders of the Company.

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PRELIMINARY COPY SUBJECT TO COMPLETION **VOTE BY INTERNET** www.proxyvote.com

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. EDT on September 23, 2009. Have your proxy card in hand when you access the web site and follow the instructions to obtain **H&R BLOCK, INC.** your records and to create an electronic voting instruction form. **ONE H&R BLOCK WAY KANSAS CITY, MO 64105 ELECTRONIC DELIVERY OF FUTURE SHAREHOLDER COMMUNICATIONS** If you would like to reduce the costs incurred by H&R Block, Inc. in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access shareholder communications electronically in future years. **VOTE BY PHONE**

1-800-690-6903 Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. EDT on September 23, 2009. Have your proxy card in hand when you call and then follow the instructions. **VOTE BY MAIL** Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to H&R Block, Inc., c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717. TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS: M15995-P83458-Z50002 KEEP THIS PORTION FOR YOUR RECORDS **THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED. DETACH AND RETURN THIS PORTION ONLY H&R BLOCK, INC. The H&R Block, Inc. Board of Directors unanimously recommends a vote FOR all the director nominees listed below and FOR the other listed proposals.**

1. Election of Directors For Against Abstain Nominees: 1a. Alan M. Bennett **0 0 0 For Against Abstain** 1b. Thomas M. Bloch **0 0 0** 1i. Russell P. Smyth **0 0 0** 1c. Richard C. Breeden **0 0 0** 1j. Christianna Wood **0 0 0** 1d. Robert A. Gerard **0 0 0** **Vote On Proposals** 1e. Len J. Lauer **0 0 0** **2. Approval of an advisory proposal on the 0 0 0 Company s executive pay-for-performance compensation policies and procedures.** 1f. David B. Lewis **0 0 0** 1g. Tom D. Seip **0 0 0** **3. Ratification of the appointment of 0 0 0 Deloitte & Touche LLP as the Company s independent accountants for the fiscal** 1h. L. Edward Shaw, Jr. **0 0 0 year ending April 30, 2010. 0** For address changes and/or comments, please check this box and write them on the back where indicated.

Signature [PLEASE SIGN WITHIN BOX] Date Signature (Joint Owners) Date

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Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to be held on September 24, 2009: The 2009 Notice, Proxy Statement and Annual Report are available at www.proxyvote.com. **THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS AND WILL BE VOTED AS SPECIFIED ON THE REVERSE SIDE HEREOF. IF SIGNED WITHOUT MAKING SUCH SPECIFICATIONS, IT WILL BE VOTED FOR ALL NOMINEES AND PROPOSALS.** The undersigned hereby acknowledges receipt of the Notice of Annual Meeting of Shareholders dated August 12, 2009 and accompanying Proxy Statement, and hereby appoints David Baker Lewis, Richard C. Breeden and L. Edward Shaw, Jr., and each of them, the proxies (acting by a majority, or if only one be present, then that one shall have all of the powers hereunder), each with full power of substitution, for and in the name of the undersigned to represent and to vote all shares of common stock of H&R BLOCK, INC., a Missouri corporation, of the undersigned at the Annual Meeting of Shareholders of said corporation to be held at the Copaken Stage of the Kansas City Repertory Theatre in the H&R Block Center, located at One H&R Block Way (corner of 13th Street and Walnut), Kansas City, Missouri, on Thursday, September 24, 2009, at 9:00 a.m. central time, and at any adjournment or postponement thereof, and, without limiting the authority hereinabove given, said proxies or proxy are expressly authorized to vote in accordance with the undersigned's direction as to those matters set forth on the reverse side hereof and in accordance with their best judgment in connection with the transaction of such other business, if any, as may properly come before the meeting.