

## H&R Block Names Smyth as Its New CEO

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H&R Block Inc. chose Russ Smyth, a former head of Europe for McDonald's Corp., as its new president and chief executive, effective Aug. 1.

His selection, announced early Tuesday, culminates a nine-month search following the resignation in November of Mark A. Ernst. Mr. Ernst quit soon after dissident investors led by Richard Breeden won three board seats in a proxy fight at the Kansas City, Mo., tax-return preparer, which ran into troubles with subprime mortgages.



Russ Smyth

H&R Block subsequently exited the subprime-mortgage business. Its return to profitability during the fiscal fourth quarter ended April 30 reflects the refocus on its core tax-filing operations.

Mr. Smyth, 51 years old, intends to intensify that shift. "We will continue the strategic focus on building the tax business," he said in an interview Monday. "It's back to basics."

Since leaving McDonald's in 2005, after a 21-year career there, Mr. Smyth was a consultant for several private-equity firms, taking stakes or board seats in some companies they controlled. He said he spurned other top-management offers during the past year, but accepted H&R Block's offer because its strong brand "can be leveraged to bring profitable growth."

Mr. Smyth said he would consider international expansion "down the road." Nearly 4% of H&R Block's \$4.4 billion in fiscal 2008 revenue came from Canada and Australia.

Mr. Breeden, who is now the company's chairman, said that for the immediate future, "we are focused on building our profitability and market share in the U.S." A former chairman of the Securities and Exchange Commission, Mr. Breeden runs an activist hedge fund, which owns about 3.2% of H&R Block shares.

Mr. Smyth said he isn't worried about sharing power with Mr. Breeden. "His skill sets and mine are very complementary," the CEO-to-be said. Having a separate chairman "is a very good thing."

H&R Block will ask shareholders to elect Alan M. Bennett, a retired Aetna Inc. executive who has been serving as interim CEO, to the board at its annual meeting in September, company officials said. Investors also will vote on changing its articles of incorporation to permanently split the chairman and CEO roles.

Mr. Smyth said he will be paid an annual salary of \$950,000, with a target bonus of \$1.045 million. He will also receive 900,000 stock options, including 400,000 priced significantly above H&R Block's stock price on the date of grant. If he quits for good reason or is terminated without cause, he will collect cash severance of \$1.5 million, less than the \$2.55 million that Mr. Ernst received.

Crist/Kolder Associates, a search firm in Hinsdale, Ill., handled the CEO assignment.

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