

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

FORM 10-Q

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended **October 31, 2015**

OR

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from to .

Commission File Number **001-35588**

Liberty Tax, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State of incorporation)

27-3561876

(IRS employer identification no.)

**1716 Corporate Landing Parkway
Virginia Beach, Virginia 23454**
(Address of principal executive offices)
(757) 493-8855

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares outstanding of the registrant's Class A common stock as of December 3, 2015 was 11,872,144 shares.

The number of shares outstanding of the registrant's Class B common stock as of December 3, 2015 was 900,000 shares.

LIBERTY TAX, INC.

Form 10-Q for the Period Ended October 31, 2015

Table of Contents

	<u>Page Number</u>
<u>PART I.</u>	
<u>FINANCIAL INFORMATION</u>	
<u>Item 1.</u>	
<u>Financial Statements</u>	<u>3</u>
<u>Consolidated Balance Sheets as of October 31, 2015, April 30, 2015 and October 31, 2014</u>	<u>4</u>
<u>Consolidated Statements of Operations for the three and six months ended October 31, 2015 and 2014</u>	<u>5</u>
<u>Consolidated Statements of Comprehensive Loss for the three and six months ended October 31, 2015 and 2014</u>	<u>6</u>
<u>Condensed Consolidated Statements of Cash Flows for the six months ended October 31, 2015 and 2014</u>	<u>7</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>9</u>
<u>Item 2.</u>	
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>22</u>
<u>Item 3.</u>	
<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>32</u>
<u>Item 4.</u>	
<u>Controls and Procedures</u>	<u>32</u>
<u>PART II.</u>	
<u>OTHER INFORMATION</u>	<u>33</u>
<u>Item 1.</u>	
<u>Legal Proceedings</u>	<u>33</u>
<u>Item 1A.</u>	
<u>Risk Factors</u>	<u>33</u>
<u>Item 2.</u>	
<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>33</u>
<u>Item 6.</u>	
<u>Exhibits</u>	<u>35</u>

PART I

**ITEM 1
FINANCIAL STATEMENTS**

LIBERTY TAX, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
October 31, 2015, April 30, 2015 and October 31, 2014
(In thousands, except share data)

Assets	October 31, 2015 (unaudited)	April 30, 2015	October 31, 2014 (unaudited)
Current assets:			
Cash and cash equivalents	\$ 3,963	\$ 21,387	\$ 4,605
Receivables:			
Accounts receivable	30,610	46,121	28,407
Notes receivable - current	43,815	24,465	41,114
Interest receivable	3,198	1,033	2,493
Allowance for doubtful accounts - current	(6,184)	(5,692)	(5,437)
Total current receivables, net	71,439	65,927	66,577
Assets held for sale	9,658	5,160	5,398
Income taxes receivable	17,473	—	20,647
Deferred income tax asset	3,727	6,921	4,013
Other current assets	2,384	6,470	3,789
Total current assets	108,644	105,865	105,029
Property, equipment, and software, net of accumulated depreciation of \$18,799, \$18,951 and \$24,936, respectively	39,695	36,232	41,635
Notes receivable, non-current	25,090	22,416	24,002
Allowance for doubtful accounts, non-current	(1,891)	(1,663)	(1,708)
Total notes receivables, non-current, net	23,199	20,753	22,294
Goodwill	3,157	3,377	2,978
Other intangible assets, net	14,002	14,672	12,134
Other assets	3,616	3,247	2,553
Total assets	\$ 192,313	\$ 184,146	\$ 186,623
Liabilities and Stockholders' Equity			
Current liabilities:			
Current installments of long-term debt	\$ 4,922	\$ 3,934	\$ 1,965
Accounts payable and accrued expenses	9,166	17,321	11,798
Due to area developers ("ADs")	8,138	24,340	8,010
Income taxes payable	—	2,147	—
Deferred revenue - current	6,265	6,076	7,224
Total current liabilities	28,491	53,818	28,997
Long-term debt, excluding current installments	18,121	21,463	22,119
Revolving credit facility	57,301	—	51,711
Deferred revenue - non-current	7,655	7,640	8,368
Deferred income tax liability	4,747	2,363	5,158
Total liabilities	116,315	85,284	116,353
Commitments and contingencies			
Stockholders' equity:			
Special voting preferred stock, \$0.01 par value per share, 10 shares authorized, issued and outstanding	—	—	—
Class A common stock, \$0.01 par value per share, 21,200,000 shares authorized, 11,870,187, 11,905,156 and 11,704,797 shares issued and outstanding, respectively	119	119	117
Class B common stock, \$0.01 par value per share, 1,000,000 shares authorized, 900,000 shares issued and outstanding	9	9	9
Exchangeable shares, \$0.01 par value, 1,000,000 shares issued and outstanding	10	10	10
Additional paid-in capital	4,115	4,082	1,365
Accumulated other comprehensive income (loss), net of taxes	(1,572)	(697)	(112)
Retained earnings	73,317	95,339	68,881
Total stockholders' equity	75,998	98,862	70,270
Total liabilities and stockholders' equity	\$ 192,313	\$ 184,146	\$ 186,623

See accompanying notes to condensed consolidated financial statements.

LIBERTY TAX, INC. AND SUBSIDIARIES
Consolidated Statements of Operations
Three and Six Months Ended October 31, 2015 and 2014 (unaudited)
(In thousands, except share count and per share data)

	Three Months Ended October 31,		Six Months Ended October 31,	
	2015	2014	2015	2014
Revenue:				
Franchise fees	\$ 906	\$ 1,324	\$ 1,514	\$ 2,028
AD fees	1,524	1,649	3,128	3,474
Royalties and advertising fees	1,273	1,199	3,018	2,893
Financial products	207	200	515	657
Interest income	2,309	1,784	4,315	3,978
Tax preparation fees, net of discounts	339	391	962	906
Other revenue	1,313	1,187	1,942	1,637
Total revenue	<u>7,871</u>	<u>7,734</u>	<u>15,394</u>	<u>15,573</u>
Operating expenses:				
Employee compensation and benefits	8,183	9,679	16,816	18,120
Selling, general, and administrative expenses	8,752	10,339	16,512	17,838
AD expense	656	924	1,381	1,665
Advertising expense	2,490	2,979	5,100	5,861
Depreciation, amortization, and impairment charges	1,838	2,029	3,507	4,328
Total operating expenses	<u>21,919</u>	<u>25,950</u>	<u>43,316</u>	<u>47,812</u>
Loss from operations	(14,048)	(18,216)	(27,922)	(32,239)
Other expense:				
Foreign currency transaction loss	—	(9)	(25)	(10)
Interest expense	(486)	(566)	(887)	(867)
Loss before income taxes	(14,534)	(18,791)	(28,834)	(33,116)
Income tax benefit	(5,464)	(7,463)	(11,228)	(13,144)
Net loss	<u>\$ (9,070)</u>	<u>\$ (11,328)</u>	<u>\$ (17,606)</u>	<u>\$ (19,972)</u>
Net loss per share of Class A and Class B common stock:				
Basic and diluted	<u>\$ (0.71)</u>	<u>\$ (0.89)</u>	<u>\$ (1.38)</u>	<u>\$ (1.56)</u>
Weighted-average shares outstanding basic and diluted				
	12,775,565	12,680,306	12,793,593	12,773,789
Dividends declared per share of common stock and common stock equivalents				
	\$ 0.16	\$ —	\$ 0.32	\$ —

See accompanying notes to condensed consolidated financial statements.

LIBERTY TAX, INC. AND SUBSIDIARIES
 Consolidated Statements of Comprehensive Loss
 Three and Six Months Ended October 31, 2015 and 2014 (unaudited)
 (In thousands)

	Three Months Ended October 31,		Six Months Ended October 31,	
	2015	2014	2015	2014
Net loss	\$ (9,070)	\$ (11,328)	\$ (17,606)	\$ (19,972)
Foreign currency translation adjustment	(117)	(287)	(874)	(169)
Comprehensive loss	\$ (9,187)	\$ (11,615)	\$ (18,480)	\$ (20,141)

See accompanying notes to condensed consolidated financial statements.

LIBERTY TAX, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
Six Months Ended October 31, 2015 and 2014 (unaudited)
(In thousands)

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Net loss	\$ (17,606)	\$ (19,972)
Adjustments to reconcile net loss to net cash used in operating activities:		
Provision for doubtful accounts	3,396	3,208
Depreciation, amortization, and impairment charges	3,507	4,328
Stock-based compensation expense	866	1,508
Gain on bargain purchases and sales of Company-owned offices	(388)	(287)
Deferred tax expense	5,578	2,158
Changes in accrued income taxes	(19,620)	(30,322)
Changes in other assets and liabilities	(13,052)	(1,051)
Net cash used in operating activities	<u>(37,319)</u>	<u>(40,430)</u>
Cash flows from investing activities:		
Issuance of operating loans to franchisees	(26,326)	(20,577)
Payments received on operating loans to franchisees	1,316	1,770
Purchases of AD rights and Company-owned offices	(1,341)	(2,701)
Proceeds from sale of Company-owned offices and AD rights	2,569	3,300
Purchases of property, equipment and software	(5,464)	(7,129)
Net cash used in investing activities	<u>(29,246)</u>	<u>(25,337)</u>
Cash flows from financing activities:		
Proceeds from the exercise of stock options	344	8,145
Repurchase of common stock	(1,711)	(33,699)
Dividends paid	(4,415)	—
Repayment of amounts due to former ADs	(2,318)	(4,211)
Repayment of debt	(308)	(928)
Borrowings under revolving credit facility	57,668	52,874
Repayments under revolving credit facility	(367)	(1,163)
Payment for debt issue costs	—	(917)
Tax benefit of stock option exercises	532	4,273
Net cash provided by financing activities	<u>49,425</u>	<u>24,374</u>
Effect of exchange rate changes on cash, net	<u>(284)</u>	<u>(82)</u>
Net decrease in cash and cash equivalents	<u>(17,424)</u>	<u>(41,475)</u>
Cash and cash equivalents at beginning of period	<u>21,387</u>	<u>46,080</u>
Cash and cash equivalents at end of period	<u>\$ 3,963</u>	<u>\$ 4,605</u>

See accompanying notes to condensed consolidated financial statements.

LIBERTY TAX, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
Six Months Ended October 31, 2015 and 2014 (unaudited)
(In thousands)

	<u>2015</u>	<u>2014</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest, net of capitalized interest of \$140 and \$78, respectively	\$ 527	\$ 578
Cash paid for taxes, net of refunds	2,282	10,748
Accrued capitalized software costs included in accounts payable	350	237
During the six months ended October 31, 2015 and 2014, the Company acquired certain assets from franchisees and ADs as follows:		
Fair value of assets purchased	\$ 8,506	\$ 6,477
Receivables applied, net of amounts due ADs and related deferred revenue	(6,490)	(2,877)
Bargain purchase gains	(383)	(163)
Notes and accounts payable issued	(292)	(736)
Cash paid to franchisees and ADs	<u>\$ 1,341</u>	<u>\$ 2,701</u>
During the six months ended October 31, 2015 and 2014, the Company sold certain assets to franchisees and ADs as follows:		
Book value of assets sold	\$ 3,625	\$ 6,430
Gain on sale-revenue deferred	1,688	1,945
Loss on sale - loss recognized	(19)	(15)
Notes received	(2,725)	(5,060)
Cash received from franchisees and ADs	<u>\$ 2,569</u>	<u>\$ 3,300</u>

See accompanying notes to condensed consolidated financial statements.

LIBERTY TAX, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

October 31, 2015 and 2014 (Unaudited)

(1) Organization and Significant Accounting Policies

Description of Business

Liberty Tax, Inc. (the "Company"), a Delaware corporation, is a holding company engaged through its subsidiaries as a franchisor and, to a lesser degree, an operator of a system of income tax preparation offices located in the United States and Canada. The Company's principal operations are conducted through JTH Tax, Inc. (d/b/a Liberty Tax Service), the Company's largest subsidiary. Through this system of income tax preparation offices, the Company also facilitates refund-based tax settlement financial products, such as refund transfer products in the United States and personal income tax refund discounting in Canada. The Company also offers online tax preparation services. Effective July 15, 2014, the Company changed its name from JTH Holding, Inc. to Liberty Tax, Inc.

The Company provides a substantial amount of lending to its franchisees and ADs. The Company allows franchisees and ADs to defer a portion of the franchise fee and AD fee, which are paid over time. The Company also offers its franchisees working capital loans to fund their operations between tax seasons.

The Company's operating revenues are seasonal in nature, with peak revenues occurring in the months of January through April. Therefore, results for interim periods are not indicative of results to be expected for the full year.

Unless the context requires otherwise, the terms "Liberty Tax," "Liberty Tax Service," "we," "the Company," "us," and "our" refer to Liberty Tax, Inc. and its consolidated subsidiaries.

Basis of Presentation

The condensed consolidated financial statements include the accounts of Liberty Tax, Inc. and its wholly-owned subsidiaries. Assets and liabilities of the Company's Canadian operations have been translated into U.S. dollars using the exchange rate in effect at the end of the period. Revenues and expenses have been translated using the average exchange rates in effect each month of the period. Foreign exchange transaction gains and losses are recognized when incurred. The Company consolidates any entities in which it has a controlling interest, the usual condition of which is ownership of a majority voting interest. The Company also considers for consolidation an entity in which the Company has certain interests where a controlling financial interest may be achieved through arrangements that do not involve voting interests. Such an entity, known as a variable interest entity ("VIE"), is required to be consolidated by its primary beneficiary. The Company does not possess any ownership interests in franchisee entities; however, the Company may provide financial support to franchisee entities. Because the Company's franchise arrangements provide franchisee entities the power to direct the activities that most significantly impact their economic performance, the Company does not consider itself the primary beneficiary of any such entity that might be a VIE. Based on the results of management's analysis of potential VIEs, the Company has not consolidated any franchisee entities. The Company's maximum exposure to loss resulting from involvement with potential VIEs is attributable to accounts and notes receivables and future lease payments due from franchisees. When the Company does not have a controlling interest in an entity but exerts significant influence over the entity, the Company applies the equity method of accounting. All intercompany balances and transactions have been eliminated in consolidation.

The unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information. The condensed consolidated financial statements, including these notes, are unaudited and exclude some of the disclosures required only in annual financial statements. Consolidated balance sheet data as of April 30, 2015 was derived from the Company's April 30, 2015 Annual Report on Form 10-K filed on July 1, 2015.

In the opinion of management, all adjustments necessary for a fair presentation of such financial statements in accordance with GAAP have been recorded. These adjustments consisted only of normal recurring items. The accompanying consolidated financial statements should be read in conjunction with the Company's financial statements and notes thereto included in its April 30, 2015 Annual Report on Form 10-K filed on July 1, 2015.

Office Count

As a seasonal business, the Company works throughout the off season to open new offices, and at the same time, some of our franchisees will choose not to reopen for the next season. Some of these decisions are not made until January each year and the Company will report office count information for the quarter ended January 31, 2016 once all offices have been opened.

Use of Estimates

Management has made a number of estimates and assumptions relating to the reporting of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period, to prepare these condensed consolidated financial statements and accompanying notes in conformity with GAAP. Actual results could differ from those estimates.

Accounting Pronouncements

There have been no significant changes to the Company's significant accounting policies as described in the Company's Annual Report on Form 10-K for the fiscal year ended April 30, 2015 as filed on July 1, 2015.

Foreign Operations

Canadian operations contributed \$0.3 million and \$0.4 million in revenues for the three months ended October 31, 2015 and 2014, respectively and \$1.3 million and \$1.2 million in revenues for the six months ended October 31, 2015 and 2014, respectively.

(2) Accounts and Notes Receivable

The Company provides financing to franchisees and ADs for the purchase of franchises, areas, Company-owned offices, and operating loans for working capital and equipment needs. The franchise-related notes generally are payable over five years and the operating loans generally are due within one year. Most notes bear interest at 12%.

Notes and interest receivable are presented in the consolidated balance sheets as follows:

	October 31, 2015	April 30, 2015	October 31, 2014
	(In thousands)		
Notes receivable - current	\$ 43,815	\$ 24,465	\$ 41,114
Notes receivable - non-current	25,090	22,416	24,002
Interest	3,198	1,033	2,493
Total notes and interest receivable, net	<u>\$ 72,103</u>	<u>\$ 47,914</u>	<u>\$ 67,609</u>

Most of the notes receivable are due from the Company's franchisees and ADs and are collateralized by the underlying franchise or AD and, when the franchise or AD is an entity, are guaranteed by the owners of the respective entity. The debtors' ability to repay the notes is dependent upon both the performance of the tax preparation industry as a whole and the individual franchise or AD areas.

Accounts and notes receivable include royalties billed that relate to territories operated by franchisees located in AD territories and a portion of those accounts and notes receivable are payable to the AD. The Company has recorded amounts payable to ADs for their share of these receivables of \$8.1 million, \$24.3 million, and \$8.0 million at October 31, 2015, April 30, 2015 and October 31, 2014, respectively.

Unrecognized revenue relates to the financed portion of franchise fees and AD fees and, in the case of sales of Company-owned offices, the financed portion of gains related to these sales in each case where revenue has not yet been recognized. For franchise fees and gains related to the sale of Company-owned offices, revenue is recognized as note payments are received by the Company. Payments received on AD fee notes receivable generate a corresponding increase in deferred

revenue, which is amortized into revenue over the life of the AD contract, historically ten years. The Company recently changed the term of new and renewal AD contracts to six years from ten years and the revenue for new AD contracts will be recognized over that shorter period, subject to the receipt of cash. Unrecognized revenue was \$40.9 million, \$38.6 million and \$43.2 million at October 31, 2015, April 30, 2015 and October 31, 2014, respectively.

At October 31, 2015, the Company had unfunded lending commitments for working capital loans to franchisees and ADs of \$15.7 million.

Allowance for Doubtful Accounts

The adequacy of the allowance for doubtful accounts is assessed on a quarterly basis and adjusted as deemed necessary. Management believes the recorded allowance is adequate based upon its consideration of the estimated value of the franchises and AD areas supporting the receivables. Any adverse change in the tax preparation industry or the individual franchise or AD areas could affect the Company's estimate of the allowance.

Activity in the allowance for doubtful accounts for the three and six months ended October 31, 2015 and 2014 was as follows:

	Three Months Ended October 31,		Six Months Ended October 31,	
	2015	2014	2015	2014
	(In thousands)			
Balance at beginning of period	\$ 8,141	\$ 7,105	\$ 7,355	\$ 6,850
Provision for doubtful accounts	1,695	1,752	3,396	3,208
Write-offs	(1,747)	(1,681)	(2,576)	(2,893)
Foreign currency adjustment	(14)	(31)	(100)	(20)
Balance at end of period	<u>\$ 8,075</u>	<u>\$ 7,145</u>	<u>\$ 8,075</u>	<u>\$ 7,145</u>

Management considers specific accounts and notes receivable to be impaired if the net amounts due exceed the fair value of the underlying franchise at the time of the annual valuation performed as of April 30 of each year, and estimates an allowance for doubtful accounts based on that excess. We perform our impairment analysis annually due to the seasonal nature of our operations. While not specifically identifiable as of the balance sheet date, the Company's experience also indicates that a portion of other accounts and notes receivable are also impaired, because management does not expect to collect all principal and interest due under the current contractual terms. Net amounts due include contractually obligated accounts and notes receivable plus accrued interest, reduced by unrecognized revenue, the allowance for uncollected interest, amounts due ADs, and amounts owed to the franchisee by the Company. In establishing the fair value of the underlying franchise, management considers recent sales between franchisees, net fees of open offices earned during the most recently completed tax season, and the number of unopened offices.

The allowance for doubtful accounts at October 31, 2015, April 30, 2015 and October 31, 2014, was allocated as follows:

	October 31, 2015	April 30, 2015	October 31, 2014
	(In thousands)		
Impaired:			
Notes and interest receivable, net of unrecognized revenue	\$ 6,076	\$ 10,921	\$ 6,190
Accounts receivable	4,987	7,634	3,752
Less amounts due to ADs and franchisees	(881)	(1,535)	(644)
Amounts receivable less amounts due to ADs and franchisees	<u>\$ 10,182</u>	<u>\$ 17,020</u>	<u>\$ 9,298</u>
Allowance for doubtful accounts for impaired notes and accounts receivable	<u>\$ 3,899</u>	<u>\$ 6,594</u>	<u>\$ 4,342</u>
Non-impaired:			
Notes and interest receivable, net of unrecognized revenue	\$ 66,027	\$ 36,993	\$ 61,419
Accounts receivable	25,623	38,487	24,655
Less amounts due to ADs and franchisees	(8,717)	(25,150)	(8,135)
Amounts receivable less amounts due to ADs and franchisees	<u>\$ 82,933</u>	<u>\$ 50,330</u>	<u>\$ 77,939</u>
Allowance for doubtful accounts for non-impaired notes and accounts receivable	<u>\$ 4,176</u>	<u>\$ 761</u>	<u>\$ 2,803</u>
Total:			
Notes and interest receivable, net of unrecognized revenue	\$ 72,103	\$ 47,914	\$ 67,609
Accounts receivable	30,610	46,121	28,407
Less amounts due to ADs and franchisees	(9,598)	(26,685)	(8,779)
Amounts receivable less amounts due to ADs and franchisees	<u>\$ 93,115</u>	<u>\$ 67,350</u>	<u>\$ 87,237</u>
Total allowance for doubtful accounts	<u>\$ 8,075</u>	<u>\$ 7,355</u>	<u>\$ 7,145</u>

The Company's average investment in impaired notes receivable during the six months ended October 31, 2015 and 2014 was \$8.5 million and \$7.4 million, respectively.

Analysis of Past Due Receivables

The breakdown of accounts and notes receivable past due at October 31, 2015 was as follows:

	Past due	Current	Total receivables
	(In thousands)		
Accounts receivable	\$ 28,520	\$ 2,090	\$ 30,610
Notes and interest receivable, net of unrecognized revenue	7,245	64,858	72,103
Total accounts, notes and interest receivable	<u>\$ 35,765</u>	<u>\$ 66,948</u>	<u>\$ 102,713</u>

Accounts receivable are considered to be past due if unpaid 30 days after billing and notes receivable are considered past due if unpaid 90 days after the due date, at which time the notes are put on nonaccrual status. The Company's investment in notes receivable on nonaccrual status was \$7.4 million, \$9.3 million, and \$7.8 million at October 31, 2015, April 30, 2015, and October 31, 2014, respectively. Payments received on notes in non-accrual status are applied to interest income first until the note is current and then to the principal note balance. Accounts receivables unpaid as of April 30 each year often remain

unpaid until the following tax season due to the seasonal nature of our operations and franchisees' cash flows. Non-accrual notes that are paid current and expected to remain current are moved back into accrual status during the next annual review.

(3) Goodwill and Intangible Assets

Changes in the carrying amount of goodwill for the six months ended October 31, 2015 and 2014 were as follows:

	October 31, 2015	October 31, 2014
	(In thousands)	
Balance at beginning of period	\$ 3,377	\$ 2,997
Acquisitions of assets from franchisees	—	—
Disposals and foreign currency changes, net	(220)	(19)
Impairments	—	—
Balance at end of period	<u>\$ 3,157</u>	<u>\$ 2,978</u>

Components of intangible assets were as follows as of October 31, 2015, April 30, 2015 and October 31, 2014:

	October 31, 2015			
	Weighted average amortization period	Gross carrying amount	Accumulated amortization	Net carrying amount
	(In thousands)			
Amortizable intangible assets:				
Customer lists acquired from unrelated third parties	4 years	\$ 1,027	\$ (169)	\$ 858
Assets acquired from franchisees:				
Customer lists	4 years	638	(571)	67
Reacquired rights	2 years	463	(433)	30
AD rights	10 years	17,720	(4,673)	13,047
Total intangible assets		<u>\$ 19,848</u>	<u>\$ (5,846)</u>	<u>\$ 14,002</u>

	April 30, 2015			
	Weighted average amortization period	Gross carrying amount	Accumulated amortization	Net carrying amount
	(In thousands)			
Amortizable intangible assets:				
Customer lists acquired from unrelated third parties	4 years	\$ 1,027	\$ —	\$ 1,027
Assets acquired from franchisees:				
Customer lists	4 years	759	(441)	318
Reacquired rights	2 years	559	(473)	86
AD rights	10 years	17,345	(4,104)	13,241
Total intangible assets		<u>\$ 19,690</u>	<u>\$ (5,018)</u>	<u>\$ 14,672</u>

October 31, 2014				
	Weighted average amortization period	Gross carrying amount	Accumulated amortization	Net carrying amount
(In thousands)				
Amortizable intangible assets:				
Customer lists acquired from unrelated third parties	6 years	\$ 4,816	\$ (1,717)	\$ 3,099
Assets acquired from franchisees:				
Customer lists	4 years	513	(461)	52
Reacquired rights	2 years	454	(408)	46
AD rights	10 years	12,266	(3,329)	8,937
Total intangible assets		<u>\$ 18,049</u>	<u>\$ (5,915)</u>	<u>\$ 12,134</u>

During the six months ended October 31, 2015, the Company acquired the assets of various Canadian franchisees for \$10 thousand. During the six months ended October 31, 2014, the Company acquired the assets of U.S. and Canadian franchisees for \$0.2 million. These acquisitions were accounted for as business combinations, with all value allocated to intangible assets. The purchase price of assets acquired from franchisees during the six months ended October 31, 2015 and 2014 was allocated as follows:

	Six Months Ended October 31,	
	2015	2014
(In thousands)		
Customer lists and reacquired rights	\$ 10	\$ 213
Goodwill	—	—
Total	<u>\$ 10</u>	<u>\$ 213</u>

(4) Assets Held For Sale

At the end of the second quarter of fiscal 2016 and 2015, assets acquired from U.S. franchisees were classified as assets held for sale. During the six months ended October 31, 2015 the Company acquired \$6.9 million in assets from U.S. franchisees and third parties that were first accounted for as business combinations, with the value allocated to customer lists and reacquired rights of \$3.0 million and goodwill of \$3.9 million prior to being recorded as assets held for sale. During the six months ended October 31, 2014, the Company acquired \$4.2 million in assets from U.S. franchisees and third parties that were first accounted for as business combinations, with the value allocated to customer lists and reacquired rights of \$2.1 million and goodwill of \$2.1 million prior to being recorded as assets held for sale. The acquired businesses are operated as Company-owned offices until a buyer is located and a new franchise agreement is entered into.

Changes in the carrying amount of assets held for sale for the six months ended October 31, 2015 and 2014 were as follows:

	Six Months Ended October 31,	
	2015	2014
(In thousands)		
Balance at beginning of period	\$ 5,160	\$ 4,413
Reacquired	6,905	4,175
Dispositions	(2,407)	(3,190)
Balance at end of period	<u>\$ 9,658</u>	<u>\$ 5,398</u>

(5) Debt

In October 2014, the Company amended its credit facility. The amended credit facility consists of a \$21.2 million term loan and a revolving credit facility that currently allows borrowing of up to \$203.8 million with an accordion feature that permits the Company to request an increase in availability of up to an additional \$50.0 million. Outstanding borrowings accrue interest which is paid monthly at a rate of the one-month London Interbank Offered Rate ("LIBOR") plus a margin ranging from 1.50% to 2.25% depending on the Company's leverage ratio. At October 31, 2015 and 2014, the interest rate was 1.82% and 1.78%, respectively and the average interest rate paid during the six months ended October 31, 2015 and 2014 was 1.81% and 1.78%, respectively. The indebtedness is collateralized by substantially all the assets of the Company and both loans mature on April 30, 2019 (except as to the commitments of one lender that has a small balance under the revolving credit facility, which mature on September 30, 2017). The credit facility contains certain financial covenants that the Company must meet, including leverage and fixed-charge coverage ratios as well as minimum net worth requirements. In addition, the Company must reduce the outstanding balance under its revolving loan to zero for a period of at least 45 consecutive days each fiscal year. The Company was in compliance with the financial covenants at October 31, 2015.

Debt at October 31, 2015, April 30, 2015, and October 31, 2014 consisted of the following:

	October 31, 2015	April 30, 2015	October 31, 2014
	(In thousands)		
Credit Facility:			
Revolver	\$ 57,301	\$ —	\$ 51,711
Term loan	20,187	20,453	20,984
	77,488	20,453	72,695
Amounts due to former ADs and mortgages	2,856	4,944	3,100
	80,344	25,397	75,795
Less: current portion	(4,922)	(3,934)	(1,965)
Long-term debt	\$ 75,422	\$ 21,463	\$ 73,830

(6) Income Taxes

The Company computes its provision for or benefit from income taxes by applying the estimated annual effective tax rate to income or loss from recurring operations and adding the effects of any discrete income tax items specific to the period.

(7) Stockholders' Equity

Stockholders' Equity Activity

During the six months ended October 31, 2015 and 2014, activity in stockholders' equity was as follows:

	Six Months Ended October 31,	
	2015	2014
	(in thousands, except for share amounts)	
Class A common shares issued from the exercise of stock options	22,110	503,436
Class A common shares issued from the vesting of restricted stock and as Board of Directors compensation	13,556	—
Proceeds from exercise of stock options	\$ 344	\$ 8,145
Stock-based compensation expense	\$ 866	\$ 1,508
Class A common shares repurchased	70,635	1,209,761
Payments for repurchased shares	\$ 1,711	\$ 33,699
Tax benefit of stock option exercises	\$ 532	\$ 4,273
Dividends paid	\$ 4,415	\$ —

Accumulated Other Comprehensive Income (Loss)

Accumulated other comprehensive income (loss) consists of foreign currency adjustments of \$(1.6) million, \$(0.7) million and \$(0.1) million at October 31, 2015, April 30, 2015 and October 31, 2014, respectively.

Net Income (Loss) per Share

Net income (loss) per share of Class A and Class B common stock is computed using the two-class method. Basic net income (loss) per share is computed by allocating undistributed earnings to common shares and participating securities (exchangeable shares) and using the weighted-average number of common shares outstanding during the period. Undistributed losses are not allocated to participating securities because they do not meet the required criteria for such allocation.

Diluted net income (loss) per share is computed using the weighted-average number of common shares and, if dilutive, the potential common shares outstanding during the period. Potential common shares consist of the incremental common shares issuable upon the exercise of stock options and vesting of restricted stock units. The dilutive effect of outstanding stock options and restricted stock units is reflected in diluted earnings per share by application of the treasury stock method. Additionally, the computation of the diluted net income (loss) per share of Class A common stock assumes the conversion of Class B common stock and exchangeable shares, if dilutive, while the diluted net loss per share of Class B common stock does not assume conversion of those shares.

The rights, including liquidation and dividend rights, of the holders of Class A and Class B common stock are identical, with the exception of the election of directors. As a result, the undistributed earnings for each year are allocated based on the contractual participation rights of the Class A and Class B common stock as if the earnings for the year had been distributed. Participating securities have dividend rights that are identical to Class A and Class B common stock.

The computation of basic and diluted net loss per share for the three and six months ended October 31, 2015 and 2014 is as follows:

	Three Months Ended October 31, 2015		Three Months Ended October 31, 2014	
	Class A	Class B	Class A	Class B
	Common Stock	Common Stock	Common Stock	Common Stock
	(in thousands, except for share and per share amounts)		(in thousands, except for share and per share amounts)	
Basic and diluted net loss per share:				
<i>Numerator</i>				
Allocation of undistributed losses	\$ (8,431)	\$ (639)	\$ (10,524)	\$ (804)
<i>Denominator</i>				
Weighted-average common shares outstanding	11,875,565	900,000	11,780,306	900,000
Basic and diluted net loss per share	\$ (0.71)	\$ (0.71)	\$ (0.89)	\$ (0.89)

As a result of the net losses for the periods, diluted net loss per share excludes the impact of shares of potential common stock from the exercise of options to purchase 1,116,627 and 1,144,742 shares for the three months ended October 31, 2015 and 2014, respectively, because the effect would be antidilutive.

	Six Months Ended October 31, 2015		Six Months Ended October 31, 2014	
	Class A	Class B	Class A	Class B
	Common Stock	Common Stock	Common Stock	Common Stock
	(in thousands, except for share and per share amounts)		(in thousands, except for share and per share amounts)	
Basic and diluted net loss per share:				
<i>Numerator</i>				
Allocation of undistributed losses	\$ (16,368)	\$ (1,238)	\$ (18,565)	\$ (1,407)
<i>Denominator</i>				
Weighted-average common shares outstanding	11,893,593	900,000	11,873,789	900,000
Basic and diluted net loss per share	\$ (1.38)	\$ (1.38)	\$ (1.56)	\$ (1.56)

As a result of the net losses for the periods, diluted net loss per share excludes the impact of shares of potential common stock from the exercise of options to purchase 1,124,558 and 1,264,909 shares for the six months ended October 31, 2015 and 2014, respectively, because the effect would be antidilutive.

(8) Stock Compensation Plans

Stock Options

In August 2011, the Board of Directors approved an equity and cash incentive plan. Employees and outside directors are eligible to receive awards and a total of 2,500,000 shares of Class A common stock were authorized for grant under the plan. At October 31, 2015, 1,408,686 shares of Class A common stock remain available for grant. There were 170,387 options granted during the six months ended October 31, 2015.

Stock option activity during the six months ended October 31, 2015 was as follows:

	Number of options	Weighted average exercise price
Balance at beginning of period	1,343,559	\$ 19.28
Granted	170,387	23.02
Exercised	(22,110)	15.58
Expired or forfeited	(150,490)	24.39
Balance at end of period	1,341,346	19.25

Intrinsic value is defined as the market value of the stock less the cost to exercise. The total intrinsic value of options exercised during the six months ended October 31, 2015 was \$0.2 million. The total intrinsic value of stock options outstanding at October 31, 2015 was \$6.6 million. Stock options vest from six months to five years from the date of grant and expire from four to five years after the vesting date.

Nonvested stock options activity during the six months ended October 31, 2015 was as follows:

	Nonvested options	Weighted average exercise price
Balance at beginning of period	385,416	\$ 27.56
Granted	170,387	23.02
Vested	(53,750)	33.79
Forfeited	(50,000)	33.79
Balance at end of period	452,053	24.45

At October 31, 2015, unrecognized compensation costs related to nonvested stock options were \$2.6 million. These costs are expected to be recognized through fiscal 2021.

The following table summarizes information about stock options outstanding and exercisable at October 31, 2015:

Range of exercise prices	Options Outstanding			Options Exercisable	
	Number of shares outstanding	Weighted average exercise price	Weighted average remaining contractual life (in years)	Number of options exercisable	Weighted average exercise price
\$10.50	12,500	\$ 10.50	0.5	12,500	\$ 10.50
15.00	616,307	15.00	1.8	616,307	15.00
16.38 - 19.75	271,736	17.91	4.1	196,736	17.85
22.18 - 29.48	375,387	25.01	6.1	35,000	26.18
33.38 - 33.79	65,416	33.38	6.0	28,750	33.38
	<u>1,341,346</u>	19.25		<u>889,293</u>	16.60

Restricted Stock Units

Restricted stock activity during the six months ended October 31, 2015 was as follows:

	Number of RSUs	Weighted average fair value at grant date
Balance at beginning of period	28,929	\$ 30.63
Granted	32,056	23.06
Vested	(12,244)	27.48
Forfeited	(1,883)	29.51
Balance at end of period	<u>46,858</u>	26.32

At October 31, 2015, unrecognized compensation costs related to restricted stock units were \$1.2 million. These costs are expected to be recognized through fiscal 2022.

(9) Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets and liabilities subject to fair value measurements on a recurring basis are classified according to a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. Valuation methodologies for the fair value hierarchy are as follows:

- Level 1 — Quoted prices for identical assets and liabilities in active markets.
- Level 2 — Quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, and model-based valuations in which all significant inputs are observable in the market.
- Level 3 — Unobservable inputs in which little or no market data exists, therefore, requiring an entity to develop its own assumptions.

The Company measures or monitors certain of its assets and liabilities on a fair value basis. Fair value is used on a recurring basis for those assets and liabilities for which fair value is the primary basis of accounting. Other assets and liabilities are measured at fair value on a nonrecurring basis; that is, they are subject to fair value adjustments in certain circumstances, such as when there is evidence of impairment. The following tables present, at October 31, 2015, April 30, 2015 and October 31, 2014, for each of the fair value hierarchy levels, the assets and liabilities that are measured at fair value on a recurring and nonrecurring basis (in thousands):

October 31, 2015				
	Total	Fair value measurements using		
		Level 1	Level 2	Level 3
Assets:				
Nonrecurring:				
Impaired accounts and notes receivable	\$ 9,872	\$ —	\$ —	\$ 9,872
Total recurring and nonrecurring assets	<u>\$ 9,872</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 9,872</u>

April 30, 2015				
	Total	Fair value measurements using		
		Level 1	Level 2	Level 3
Assets:				
Recurring:				
Cash equivalents	\$ 16,975	\$ 16,975	\$ —	\$ —
Nonrecurring:				
Impaired accounts and notes receivable	11,961	—	—	11,961
Impaired online software	1,253	—	—	1,253
Impaired acquired online customer lists	1,027	—	—	1,027
Impaired goodwill	224	—	—	224
Impaired reacquired rights	79	—	—	79
Impaired customer lists	126	—	—	126
Assets held for sale	5,160	—	—	5,160
Total nonrecurring assets	19,830	—	—	19,830
Total recurring and nonrecurring assets	<u>\$ 36,805</u>	<u>\$ 16,975</u>	<u>\$ —</u>	<u>\$ 19,830</u>

October 31, 2014				
	Total	Fair value measurements using		
		Level 1	Level 2	Level 3
Assets:				
Nonrecurring:				
Impaired accounts and notes receivable	\$ 5,601	\$ —	\$ —	\$ 5,601
Total recurring and nonrecurring assets	<u>\$ 5,601</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 5,601</u>

The Company's policy is to recognize transfers between levels of the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There were no transfers into or out of level 1 or 2 requiring fair value measurements for each of the six months ended October 31, 2015 and 2014.

The following methods and assumptions are used to estimate the fair value of our financial instruments.

Cash equivalents: The carrying amounts approximate fair value because of the short maturity of these instruments. Cash equivalent financial instruments consist of money market accounts.

Impaired accounts and notes receivable: Accounts and notes receivable are considered to be impaired if the net amounts due exceed the fair value of the underlying franchise or if management considers it probable that all principal and interest will not be collected when contractually due. In establishing the estimated fair value of the underlying franchise, consideration is given to recent sales between franchisees, the net fees of open offices, and the number of unopened offices.

Impaired goodwill, reacquired rights, and customer lists: Goodwill, reacquired rights and customer lists associated with a Company-owned office are considered to be impaired if the net carrying amount exceeds the fair value of the underlying office. In establishing the fair value of the underlying office, consideration is given to the related net fees and marketplace transactions.

Assets held for sale: Assets held for sale are recorded at the lower of the carrying value or the sales price, less costs to sell, which approximates fair value. The sales price is calculated as a percentage of prior year net fees and marketplace transactions.

Impaired online software and acquired online customer lists: The online software and acquired online customer lists are considered to be impaired if the net carrying amount of these assets exceeds the fair value of these assets. The fair value of these assets was determined using a discounted cash flow model.

Other Fair Value Measurements

Additionally, accounting standards require the disclosure of the estimated fair value of financial instruments that are not recorded at fair value. For the financial instruments that the Company does not record at fair value, estimates of fair value are made at a point in time based on relevant market data and information about the financial instrument. No readily available market exists for a significant portion of the Company's financial instruments. Fair value estimates for these instruments are based on current economic conditions, interest rate risk characteristics, and other factors. Many of these estimates involve uncertainties and matters of significant judgment and cannot be determined with precision. Therefore, the calculated fair value estimates in many instances cannot be substantiated by comparison to independent markets and, in many cases, may not be realizable in a current sale of the instrument. In addition, changes in assumptions could significantly affect these fair value estimates. The following methods and assumptions were used by the Company in estimating fair value of these financial instruments.

Receivables other than notes, other current assets, accounts payable, and accrued expenses, and due to ADs: The carrying amounts approximate fair value because of the short maturity of these instruments.

Notes receivable: The carrying amount approximates fair value because the interest rate charged by the Company on these notes approximates rates currently offered by local lending institutions for loans of similar terms to individuals/entities with comparable credit risk (Level 3).

Long-term debt: The carrying amount approximates fair value because the interest rate paid has a variable component (Level 2).

(10) Related Party Transactions

The Company considers directors and their affiliated companies as well as executive officers and members of their immediate family to be related parties. Although the Company did not have any stock transactions with related parties during the six months ended October 31, 2015, during the six months ended October 31, 2014 the Company repurchased 982,065 shares of stock for a value of \$26.1 million from related parties.

The Company has entered into a multi-year contract to purchase a license for the use of Canadian tax software at a price of \$0.7 million from a company in which it has an investment accounted for under the equity method. One of the members of the Company's Board of Directors is affiliated with the company providing this service.

The Company has entered into an agreement to purchase the right to distribute cloud and mobile accounting solutions to its franchisees. Payments were made for this service of \$250 thousand during fiscal 2015 and \$38 thousand during the six months ended October 31, 2015. One of the members of the Company's Board of Directors is affiliated with the company providing this service.

(11) Commitments and Contingencies

In the ordinary course of operations, the Company may become a party to legal proceedings. Based upon information currently available, management believes that such legal proceedings, in the aggregate, will not have a material adverse effect on the Company's business, financial condition, cash flows, or results of operations except as provided below.

ERC class action litigation. The Company was sued in November 2011 in federal courts in Arkansas, California, Florida, and Illinois, and additional lawsuits were filed in federal courts in January 2012 in Maryland and North Carolina, in February 2012 in Wisconsin, and in May 2012 in New York and Minnesota. In April 2012, a motion to consolidate all of the then-pending cases before a single judge in federal court in the Northern District of Illinois was granted, and in June 2012, the plaintiffs filed a new complaint in the consolidated action. The consolidated complaint alleges that the Company's refund transfer products formerly called electronic refund checks ("ERC") represent a form of refund anticipation loan ("RAL") because the taxpayer is "loaned" the tax preparation fee, and that the refund transfer product is, therefore, subject to federal truth-in-lending disclosure and state law requirements regulating RALs. The plaintiffs also allege disclosure violations related to the ERC fees paid by RAL customers. The plaintiffs, therefore, claim violations of state-specific RAL and other consumer statutes. The lawsuit purports to be a class action, and the plaintiffs allege potential damages in excess of \$5.0 million. The Company appealed to the United States Court of Appeals for the Seventh Circuit a ruling that certain of the plaintiffs' claims were not subject to arbitration. Following mediation, the parties entered into a settlement agreement in June 2015 pursuant to which the Company has funded the establishment of a settlement fund of \$5.3 million, inclusive of settlement administration costs and plaintiffs' counsel fees. The claims process has begun and following the conclusion of that process we anticipate that the final approval of the trial court will be sought. The Company has preserved potential claims against a financial product partner that was responsible for the design of a portion of the ERC programs in the years at issue in the cases. The Company accrued the proposed settlement amount during fiscal 2015.

TCPA class action litigation. The Company was sued in September 2013 in federal court in Illinois in connection with alleged violations of the Telephone Consumer Protection Act. Plaintiff alleges that the Company inappropriately made auto dialed telephone calls to cellular telephones, seeks the certification of a nationwide class action, and claims statutory damages of \$500-\$1,500 per violation. The Company tendered the defense of this litigation to a third party entity that had contracted with us to solicit potential franchisees, and that third party entity acknowledged its defense and indemnification obligations to the Company. However, because the third party did not have the financial resources to satisfy its defense and indemnity obligations, the Company concluded that it could not rely upon the fulfillment of those obligations. In September 2014, the Company and the plaintiffs reached a tentative settlement of this litigation pursuant to which the Company has funded the establishment of a settlement fund of \$3.0 million, inclusive of settlement administration costs and plaintiffs' counsel fees. This settlement received the preliminary approval of the court and notices to class members have been sent, but the settlement remains subject to final court approval. The Company accrued the proposed settlement amount during fiscal 2015.

The Company is also party to claims and lawsuits that are considered to be ordinary, routine litigation incidental to the business, including claims and lawsuits concerning the preparation of customers' income tax returns, the fees charged to customers for various products and services, relationships with franchisees, intellectual property disputes, employment matters, and contract disputes. Although the Company cannot provide assurance that it will ultimately prevail in each instance, it believes the amount, if any, it will be required to pay in the discharge of liabilities or settlements in these claims will not have a material adverse impact on its consolidated results of operations or financial position.

(12) Subsequent Event

On December 7, 2015, the Board of Directors approved a quarterly cash dividend to shareholders of \$0.16 per share payable on January 22, 2016 to holders of record of common stock and common stock equivalents on January 15, 2016.

ITEM 2
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

Special Note Regarding Forward-Looking Statements

This quarterly report contains forward-looking statements concerning our business, operations, financial performance, and condition as well as our plans, objectives, and expectations for our business operations and financial performance and condition. Any statements contained herein that are not of historical facts may be deemed to be forward-looking statements. You can identify these statements by words such as “aim,” “anticipate,” “assume,” “believe,” “could,” “due,” “estimate,” “expect,” “goal,” “intend,” “may,” “objective,” “plan,” “predict,” “potential,” “positioned,” “should,” “target,” “will,” “would” and other similar expressions that are predictions of or indicate future events and future trends. These forward-looking statements are based on current expectations, estimates, forecasts, projections about our business and the industry in which we operate, and our management’s beliefs and assumptions. They are not guarantees of future performance or development and involve known and unknown risks, uncertainties, and other factors that are in some cases beyond our control. As a result, any or all of our forward-looking statements in this quarterly report may turn out to be inaccurate. Factors that may cause such differences include, but are not limited to, the risks described under “Item 1A—Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended April 30, 2015 and risks described in all other filings with the Securities and Exchange Commission, including:

- our inability to sustain growth at our historical pace;
- the seasonality of our business;
- the continued service of our senior management team and our ability to attract additional talent;
- our inability to secure reliable sources of the tax settlement products we make available to our customers;
- government regulation and oversight, including the regulation of our tax settlement products such as refund transfers and loan settlement products;
- government initiatives that simplify tax return preparation, improve the timing and efficiency of processing tax returns, limit payments to tax preparers or decrease the number of tax returns filed or the size of the refunds;
- government initiatives to pre-populate income tax returns;
- the effect of regulation of the products and services that we offer, including changes in laws and regulations;
- the possible characterization of refund transfers as a form of loan or extension of credit;
- changes in the tax settlement products offered to our customers that make our services less attractive to customers or more costly to us;
- our ability to maintain relationships with our tax settlement product service providers;
- our ability and the ability of our franchisees to comply with legal and regulatory requirements;
- failures by our franchisees and their employees to comply with their contractual obligations to us and with laws and regulations, to the extent these failures affect our reputation or subject us to legal risk;
- the ability of our franchisees to open new territories and operate them successfully;
- the ability of our franchisees to generate sufficient revenue to repay their indebtedness to us;
- our ability to manage Company-owned offices;
- our exposure to litigation;

- our ability and our franchisees' ability to protect customers' personal information, including from a cyber-security incident;
- the impact of identity-theft concerns on customer attitudes toward our services;
- our ability to access the credit markets and satisfy our covenants to lenders;
- challenges in deploying accurate tax software in a timely way each tax season;
- delays in the commencement of the tax season attributable to Congressional action affecting tax matters and the resulting inability of federal and state tax agencies to accept tax returns on a timely basis, or other changes that have the effect of delaying the tax refund cycle;
- competition in the tax preparation market;
- the effect of federal and state legislation that affects the demand for paid tax preparation, such as the Affordable Care Act and potential immigration reform;
- our reliance on technology systems, including the deployment of our internally developed LibPro software and electronic communications;
- our ability to deploy our internally developed LibPro software in a timely manner and with all the features our customers require; and
- the impact of any acquisitions or dispositions, including our ability to integrate acquisitions and capitalize on their anticipated synergies.

Potential investors and other readers are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on the forward-looking statements. These forward-looking statements speak only as of the date of this quarterly report. Unless required by law, we do not intend to publicly update or revise any forward-looking statements to reflect new information or future events or otherwise. A potential investor or other vendor should, however, review the factors and risks we describe in the reports we will file from time to time with the U.S. Securities and Exchange Commission ("SEC") after the date of this quarterly report.

Overview

We are one of the leading providers of tax preparation services in the United States and Canada. As measured by both the number of returns prepared and the number of retail offices, we believe we are the second largest retail preparer of individual tax returns in the United States and the second largest retail preparer of individual tax returns in Canada. Our tax preparation services and related tax settlement products are offered primarily through franchised locations, although we operate a limited number of Company-owned offices each tax season. All of the offices are operated under the Liberty Tax Service and SiempreTax+ brands.

From 2001 through 2015, we grew our number of tax offices from 508 to 4,328. See Note 1 "Description of Business and Summary of Significant Accounting Policies" in the notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended April 30, 2015 for detail of the U.S. office activity and the number of Canadian and Company-owned offices for the years ended April 30, 2015, 2014, and 2013.

Our revenue primarily consists of the following components:

- **Franchise Fees:** Our standard franchise fee per territory is \$40,000 and we offer our franchisees flexible structures and financing options for franchise fees. Franchise fee revenue is recognized when our obligations to prepare the franchisee for operation are substantially complete and as cash is received.
- **AD Fees:** Our fees for AD areas vary based on our assessment of the revenue potential of each AD area and also depend on the performance of any existing franchisees within the AD area being sold. Our ADs generally receive 50% of franchise fees, royalties, and a portion of the interest income derived from territories located in their area. AD fees received are recognized as revenue on a straight-line basis over the initial contract term of each AD agreement, which

had historically been ten years, with the cumulative amount of revenue recognized not to exceed the amount of cash received. We recently changed the term of new and renewal AD contracts to six years.

- **Royalties:** Our franchise agreement requires franchisees to pay us a base royalty typically equal to 14% of the franchisee's tax preparation revenue, subject to certain specified minimums.
- **Advertising Fees:** Our franchise agreement requires all franchisees to pay us an advertising fee of 5% of the franchisee's tax preparation revenue, which we use primarily to fund collective advertising efforts.
- **Financial Products:** We offer two types of tax settlement financial products: refund transfer products, which involve providing a means by which a customer may receive his or her refund more quickly and conveniently, and refund-based loans. We earn fees from the sale of these financial products.
- **Interest Income:** We earn interest income from our franchisees and ADs related to both indebtedness for the unpaid portions of their franchise fees and AD territory fees, and for other loans we extend to our franchisees related to the operation of their territories. For franchise fees and AD loans upon which the underlying revenue has not been recognized, we recognize the interest income only to the extent of actual payment. We also earn interest on our accounts receivable.
- **Tax Preparation Fees:** We also earn tax preparation fees, net of discounts, directly from both the operation of Company-owned offices and providing tax preparation services through our online tax return products.

For purposes of this section and throughout this quarterly report, all references to "fiscal 2016" and "fiscal 2015" refer to our fiscal years ending April 30, 2016 and ended April 30, 2015, respectively, and corresponding references to fiscal quarters are references to quarters within those fiscal years. For purposes of this section and throughout this quarterly report, all references to "year" or "years" are the respective fiscal year or years ended April 30 unless otherwise noted in this quarterly report, and all references to "tax season" refer to the period between January 1 and April 30 of the referenced year.

Results of Operations

The table below shows results of operations for the three and six months ended October 31, 2015 and 2014.

	Three Months Ended October 31,				Six Months Ended October 31,			
	2015	2014	Change		2015	2014	Change	
			\$	%			\$	%
	(dollars in thousands)							
Total revenue	\$ 7,871	\$ 7,734	\$ 137	2 %	\$ 15,394	\$ 15,573	\$ (179)	(1)%
Loss from operations	(14,048)	(18,216)	4,168	(23)%	(27,922)	(32,239)	4,317	(13)%
Net loss	(9,070)	(11,328)	2,258	(20)%	(17,606)	(19,972)	2,366	(12)%

Revenue. The table below sets forth the components and changes in our revenue for the three and six months ended October 31, 2015 and 2014.

	Three Months Ended October 31,				Six Months Ended October 31,			
	2015	2014	Change		2015	2014	Change	
			\$	%			\$	%
	(dollars in thousands)							
Franchise fees	\$ 906	\$ 1,324	\$ (418)	(32)%	\$ 1,514	\$ 2,028	\$ (514)	(25)%
AD fees	1,524	1,649	(125)	(8)%	3,128	3,474	(346)	(10)%
Royalties and advertising fees	1,273	1,199	74	6 %	3,018	2,893	125	4 %
Financial products	207	200	7	4 %	515	657	(142)	(22)%
Interest income	2,309	1,784	525	29 %	4,315	3,978	337	8 %
Tax preparation fees, net of discounts	339	391	(52)	(13)%	962	906	56	6 %
Other revenue	1,313	1,187	126	11 %	1,942	1,637	305	19 %
Total revenue	\$ 7,871	\$ 7,734	\$ 137	2 %	\$ 15,394	\$ 15,573	\$ (179)	(1)%

For the three months ended October 31, 2015, total revenue was \$7.9 million compared to \$7.7 million for the same period last year. The increase is largely attributable to a \$0.5 million increase in interest income, which was partially offset by a decrease in franchise fees of \$0.4 million resulting from lower cash collections on both new and prior year sales.

For the six months ended October 31, 2015, total revenue decreased to \$15.4 million compared to \$15.6 million for the same period last year, representing a \$0.2 million decrease. The decrease is primarily due to a decrease in franchise fees of \$0.5 million resulting from lower cash collections and a reduction in AD fees of \$0.3 million primarily due to the completion of the ten year recognition of AD sales from 2005, offset by increases in interest income of \$0.3 million and other revenue of \$0.3 million.

Operating expenses. The table below details the amounts and changes in our operating expenses for the three and six months ended October 31, 2015 and 2014.

	Three Months Ended October 31,				Six Months Ended October 31,			
	2015	2014	Change		2015	2014	Change	
			\$	%			\$	%
(dollars in thousands)								
Employee compensation and benefits	\$ 8,183	\$ 9,679	\$ (1,496)	(15)%	\$ 16,816	\$ 18,120	\$ (1,304)	(7)%
Selling, general, and administrative expenses	8,752	10,339	(1,587)	(15)%	16,512	17,838	(1,326)	(7)%
AD expense	656	924	(268)	(29)%	1,381	1,665	(284)	(17)%
Advertising expense	2,490	2,979	(489)	(16)%	5,100	5,861	(761)	(13)%
Depreciation, amortization, and impairment charges	1,838	2,029	(191)	(9)%	3,507	4,328	(821)	(19)%
Total operating expenses	\$ 21,919	\$ 25,950	\$ (4,031)	(16)%	\$ 43,316	\$ 47,812	\$ (4,496)	(9)%

For the three months ended October 31, 2015, total operating expenses were \$21.9 million, representing a decrease of \$4.0 million compared to the same period last year. The decrease is attributed to a \$1.5 million decline in employee compensation and benefits, of which \$1.1 million related to a reduction in executive severance costs, and a decline of \$1.6 million in selling, general and administrative expenses, primarily related to the tentative settlement of one of our class action cases for \$2.1 million in the prior year period that did not recur in fiscal 2016. We also expensed \$0.5 million less in advertising expense in the 2016 period, because we have reduced the costs incurred to attract new franchisees.

For the six months ended October 31, 2015, total operating expenses were \$43.3 million, representing a decrease of \$4.5 million compared to the same period last year. The decrease can be attributed to a \$1.3 million decline in employee compensation and benefits, of which \$1.2 million is attributable to a reduction in executive severance costs, and to a \$1.3 million decline in selling, general and administrative expenses, primarily related to the tentative settlement of one of our class action cases for \$2.1 million in the prior year which did not recur in fiscal 2016. Depreciation, amortization and impairment charges also decreased \$0.8 million which resulted primarily from the \$8.4 million impairment of online software and acquired customer lists recorded in the fourth quarter of fiscal 2015. Advertising expenses declined \$0.8 million for the 2016 period because we have reduced the costs incurred to attract new franchisees.

Income tax benefit. We recorded income tax benefits with effective rates of 37.6% and 38.9% during the three and six months ended October 31, 2015, respectively, and 39.7% during both the three and six months ended October 31, 2014. Due to the seasonal nature of our business, we expect the losses we incur through the first eight months of a fiscal year will be more than offset by the results of the last four months.

Liquidity and Capital Resources

Overview of factors affecting our liquidity

Seasonality of cash flow. Our tax return preparation business is seasonal, and most of our revenues and cash flow are generated during the period from late January through April 30. Following each tax season, from May 1 through late January of the following year, we rely significantly on excess operating cash flow from the previous season, from cash payments made by franchisees and ADs who purchase new territories and areas prior to the next tax season, and on the use of our credit facility to fund our operating expenses and invest in the future growth of our business. Our business has historically generated a strong

operating cash flow from operations on an annual basis. We devote a significant portion of our cash resources during the off season to finance the working capital needs of our franchisees. We have also incurred significant expenditures in the development of our LibPro tax software and anticipate spending approximately \$4.8 million related to this project during fiscal 2016.

Credit facility. In October 2014, the Company amended its credit facility. The amended credit facility consists of a \$21.2 million term loan and a revolving credit facility that currently allows borrowing of up to \$203.8 million with an accordion feature that permits the Company to request an increase in availability of up to an additional \$50.0 million. Outstanding borrowings accrue interest, which is paid monthly, at a rate of the one-month London Interbank Offered Rate ("LIBOR") plus a margin ranging from 1.50% to 2.25% depending on the Company's leverage ratio. At October 31, 2015 the interest rate was 1.82%. A commitment fee that varies from 0.25% to 0.50% depending on the Company's leverage ratio on the unused portion of the credit facility is paid monthly. The indebtedness is collateralized by substantially all the assets of the Company and both loans mature on April 30, 2019 (except as to the commitments of one lender that has a small balance under the revolving credit facility, which mature on September 30, 2017).

Under our credit facility, we are subject to a number of covenants that could potentially restrict how we carry out our business or that require us to meet certain periodic tests in the form of financial covenants. The restrictions we consider to be material to our ongoing business include the following:

- We must satisfy a "leverage ratio" test that is based on our outstanding indebtedness at the end of each fiscal quarter,
- We must satisfy a "fixed charge coverage ratio" test at the end of each fiscal quarter, and
- We must reduce the outstanding balance under our revolving loan to zero for a period of at least 45 consecutive days each fiscal year.

In addition, were we to experience certain types of changes in control affecting Mr. Hewitt's continuing control of us, or certain changes to the composition of our Board of Directors, we might become subject to an event of default under our credit facility, which could result in the acceleration of our obligations under that facility.

Our credit facility also contains customary affirmative and negative covenants, including limitations on indebtedness, limitations on liens and negative pledges, limitations on investments, loans and acquisitions, limitations on mergers, consolidations, liquidations and dissolutions, limitations on sales of assets, limitations on certain restricted payments and limitations on transactions with affiliates, among others.

We were in compliance with our financial covenants as of October 31, 2015.

Franchisee lending and potential exposure to credit loss. A substantial portion of our cash flow during the year is utilized to provide funding to our franchisees and ADs. At October 31, 2015, our total balance of loans to franchisees and ADs for working capital and equipment loans, representing cash amounts we had advanced to the franchisees and ADs, was \$31.5 million. In addition, at that date, our franchisees and ADs together owed us \$148.2 million, net of unrecognized revenue of \$40.6 million, for amounts representing the unpaid purchase price for franchise territories or areas comprising clusters of territories and other amounts owed to us for royalties and other amounts for which our franchisees and ADs had outstanding payment obligations.

Our actual exposure to potential credit loss associated with franchisee loans is less than the aggregate amount of those loans because a significant portion of those loans are to franchisees located within AD areas, where our AD is ultimately entitled to a substantial portion of the franchise fee and royalty revenues represented by some of these loans. For this reason, the amount of indebtedness of franchisees to us is offset in part by our related payable obligation to ADs with respect to franchise fees and royalties. As of October 31, 2015, the total indebtedness of franchisees to the Company where the franchisee is located in an AD area was \$60.5 million, of which \$8.1 million of that indebtedness represents amounts ultimately payable to ADs as their share of franchise fees and royalties once cash is received.

Our franchisees make electronic return filings for their customers utilizing our facilities. Our franchise agreements allow us to obtain repayment of amounts due to us from our franchisees through an electronic fee intercept program before our franchisees receive the net proceeds from tax preparation and other fees they have charged to their customers on tax returns associated with tax settlement products. Therefore, we are able to minimize the nonpayment risk associated with amounts outstanding from franchisees by obtaining direct electronic payment in the ordinary course throughout the tax season. Our credit risk associated with amounts outstanding to ADs is also mitigated by our electronic fee intercept program, which enables

us to obtain repayments of amounts that would otherwise flow through to ADs as their share of franchise fee and royalty payments, to the extent of an AD's indebtedness to us.

The unpaid amounts owed to us from our franchisees and ADs are collateralized by the underlying franchise or area and, when the franchise or area owner is an entity, are generally guaranteed by the related owners of the respective entity. Accordingly, to the extent a franchisee or AD does not satisfy its payment obligations to us, we may repossess the underlying franchise or area in order to resell it in the future. At October 31, 2015, we had an investment in impaired accounts and notes receivable and related interest receivable of approximately \$10.2 million. We consider accounts and notes receivable to be impaired if the amounts due exceed the fair value of the underlying franchise and estimate an allowance for doubtful accounts based on that excess. Amounts due include the recorded value of the accounts and notes receivable reduced by the allowance for uncollected interest, amounts due to ADs for their portion of franchisee receivables, any related unrecognized revenue and amounts owed to the franchisee or AD by us. In establishing the fair value of the underlying franchise, we consider net fees of open territories and the number of unopened territories. At October 31, 2015, we have recorded an allowance for doubtful accounts for impaired accounts and notes receivable of \$3.9 million. There were no significant concentrations of credit risk with any individual franchisee or AD as of October 31, 2015. We believe our allowance for doubtful accounts as of October 31, 2015 is adequate for our existing loss exposure. We closely monitor the performance of our franchisees and ADs and will adjust our allowances as appropriate if we determine the existing allowances are inadequate to cover estimated losses.

Dividends. We paid our first cash dividend of \$0.16 per share for the quarter ended April 30, 2015. Although we have now announced a \$0.16 per share quarterly cash dividend and may continue to pay cash dividends in the future, the payment of dividends will be at the discretion of our Board of Directors and will depend, among other things, on our earnings, capital requirements, and financial condition. Our ability to pay dividends will also be subject to compliance with financial covenants that are contained in our credit facility and may be restricted by any future indebtedness that we incur or issuances of preferred stock. In addition, applicable law requires our Board of Directors to determine that we have adequate surplus prior to the declaration of dividends. We cannot provide an assurance that we will continue to pay dividends at any specific level or at all.

Sources and uses of cash

Operating activities. In the first six months of fiscal 2016, we used \$3.1 million less cash in our operating activities compared to the same period of fiscal 2015 primarily due to lower tax payments, partially offset by payments of costs related to the class action litigation cases that were accrued in fiscal 2015.

Investing activities. In the first six months of fiscal 2016, we utilized \$3.9 million more in cash for investing activities compared to the same period in fiscal 2015. This increase is primarily due to a \$6.2 million increase in cash used for operating loans issued to franchisees net of payments received from franchisees. This item was partially offset by a decrease in cash used for the purchase of property, equipment and software as well as a decrease in the purchase of AD rights and company-owned offices.

Financing activities. In the first six months of fiscal 2016, cash from financing activities increased \$25.1 million compared to the same period of fiscal 2015, largely due to a \$24.2 million decrease in cash used for common stock repurchases, net of proceeds from stock option exercises, an increase in our net borrowings under our revolving credit facility of \$5.6 million. These amounts were partially offset by dividend payments of \$4.4 million in fiscal 2016 which were not in the fiscal 2015 period as well as \$3.7 million less in tax benefit of stock option exercises.

Future cash needs and capital requirements

Operating cash flow needs. We believe our cash from operations and our current credit facility will be sufficient to support our cash flow needs for the foreseeable future. At October 31, 2015, using the leverage ratio applicable under our loan covenants at the end of the quarter, our maximum unused borrowing capacity was \$53.6 million.

Our credit facility also contains a requirement that we reduce the balance of our revolving loan to zero for a period of at least 45 consecutive days each fiscal year; however, because our term loan will remain outstanding during that 45 day period, and given our historic cash flow experience at the end of and beginning of each fiscal year, we do not anticipate that the unavailability of our revolving loan during that 45 day period each fiscal year will adversely affect our cash flow. As of June 14, 2015, we had maintained a zero balance on our revolver for the required 45 days and thus have already met the requirement for fiscal 2016.

Several factors could affect our cash flow in future periods, including the following:

- The extent to which we extend additional operating financing to our franchisees and ADs, beyond the levels of prior periods,
- The extent and timing of remaining expenditures related to our LibPro tax software,
- The cash flow effects of stock options exercises,
- The extent to which we engage in stock repurchases,
- Our ability to generate fee and other income related to tax settlement products in light of regulatory pressures on us and our business partners,
- The extent to which we repurchase AD areas, which will involve the use of cash in the short-term, but improve cash receipts in future periods from what would have been the AD's share of royalties and franchise fees, and
- The extent, if any, to which our Board of Directors elects to continue to declare dividends on our common stock.

Effect of our credit facility covenants on our future performance. Our credit facility, which matures on April 30, 2019, imposes several restrictive covenants, including a covenant that requires us to maintain a leverage ratio of not more than 4.5:1 at the end of each fiscal quarter ending January 31 and a leverage ratio of not more than 3:1 at the end of each other fiscal quarter. The higher permitted leverage ratio at the end of the January 31 quarter reflects the fact that as of that date, we have typically extended significant credit to our franchisees for working capital and other needs that is not reflected in revenue that we receive from our franchisees until the period beginning in February each year. At October 31, 2015, our leverage ratio was 1.80:1.

We continue to be obligated under our credit facility to satisfy a fixed charge coverage ratio test which requires that ratio to be not less than 1.50:1 at the end of every fiscal quarter. At October 31, 2015, our fixed charge coverage ratio was 6.13:1.

We were in compliance with the ratio tests described in this section as of October 31, 2015. We expect to be able to manage our cash flow and our operating activities in such a manner that we will continue to be able to satisfy our obligations under the credit facility for the remainder of the term of that facility.

As noted above, although we are subject under our credit facility to a requirement that we reduce the balance of our revolving loan to zero for a period of at least 45 consecutive days each fiscal year, we do not believe that requirement will affect our cash flow or future performance.

Non-GAAP Financial Information. We report our financial results in accordance with GAAP, however, we believe certain non-GAAP performance measures and ratios used in managing the business may provide additional meaningful comparisons between current year results and prior periods. Reconciliations to GAAP financial measures for the three and six months ended October 31, 2015 and 2014 are provided below. These non-GAAP measures should be viewed in addition to, not as an alternative for, our reported GAAP results.

For the three months ended October 31, 2015

	<u>Revenues</u>	<u>Expenses</u>	<u>Loss from Operations</u>	<u>EBITDA</u>	<u>Pre tax Loss</u>	<u>Net Loss</u>	<u>EPS</u>
As Reported	\$ 7,871	\$ 21,919	\$ (14,048)	\$ (12,210)	\$ (14,534)	\$ (9,070)	\$ (0.71)
Adjustments:							
Executive severance including stock-based compensation	—	—	—	—	—	—	—
Litigation settlements	—	—	—	—	—	—	—
Total adjustments	—	—	—	—	—	—	—
As Adjusted	\$ 7,871	\$ 21,919	\$ (14,048)	\$ (12,210)	\$ (14,534)	\$ (9,070)	\$ (0.71)
Stock-based compensation expense excluding severance related expense	\$ —	\$ (401)	\$ 401	\$ 401			

For the three months ended October 31, 2014

	<u>Revenues</u>	<u>Expenses</u>	<u>Loss from Operations</u>	<u>EBITDA</u>	<u>Pretax Loss</u>	<u>Net Loss</u>	<u>EPS</u>
As Reported	\$ 7,734	\$ 25,950	\$ (18,216)	\$ (16,196)	\$ (18,791)	\$ (11,328)	\$ (0.89)
Adjustments:							
Executive severance including stock-based compensation	—	(1,134)	1,134	1,134	1,134	684	0.05
Litigation settlements	—	(2,130)	2,130	2,130	2,130	1,284	0.10
Total adjustments	—	(3,264)	3,264	3,264	3,264	1,968	0.15
As Adjusted	\$ 7,734	\$ 22,686	\$ (14,952)	\$ (12,932)	\$ (15,527)	\$ (9,360)	\$ (0.74)
Stock-based compensation expense excluding severance related expense	\$ —	\$ (420)	\$ 420	\$ 420			

For the six months ended October 31, 2015

	<u>Revenues</u>	<u>Expenses</u>	<u>Loss from Operations</u>	<u>EBITDA</u>	<u>Pre tax Loss</u>	<u>Net Loss</u>	<u>EPS</u>
As Reported	\$ 15,394	\$ 43,316	\$ (27,922)	\$ (24,440)	\$ (28,834)	\$ (17,606)	\$ (1.38)
Adjustments:							
Executive severance including stock-based compensation	—	(413)	413	413	413	252	0.02
Litigation settlements	—	—	—	—	—	—	—
Total adjustments	—	(413)	413	413	413	252	0.02
As Adjusted	\$ 15,394	\$ 42,903	\$ (27,509)	\$ (24,027)	\$ (28,421)	\$ (17,354)	\$ (1.36)
Stock-based compensation expense excluding severance related expense	\$ —	\$ (774)	\$ 774	\$ 774			

For the six months ended October 31, 2014

	<u>Revenues</u>	<u>Expenses</u>	<u>Loss from Operations</u>	<u>EBITDA</u>	<u>Pretax Loss</u>	<u>Net Loss</u>	<u>EPS</u>
As Reported	\$ 15,573	\$ 47,812	\$ (32,239)	\$ (27,921)	\$ (33,116)	\$ (19,972)	\$ (1.56)
Adjustments:							
Executive severance including stock-based compensation	—	(1,617)	1,617	1,617	1,617	975	0.08
Litigation Settlements	—	(2,130)	2,130	2,130	2,130	1,285	0.09
Total adjustments	—	(3,747)	3,747	3,747	3,747	2,260	0.17
As Adjusted	\$ 15,573	\$ 44,065	\$ (28,492)	\$ (24,174)	\$ (29,369)	\$ (17,712)	\$ (1.39)
Stock-based compensation expense excluding severance related expense	\$ —	\$ (914)	\$ 914	\$ 914			

Seasonality of Operations

Given the seasonal nature of the tax return preparation business, we have historically generated and expect to continue to generate most of our revenues during the period from January 1 through April 30. For example, in fiscal 2015 we earned 29% of our revenues during our fiscal third quarter ended January 31 and 90% of our revenues during the combined fiscal third and fourth quarters of 2015. We historically operate at a loss through the first eight months of each fiscal year, during which we incur costs associated with preparing for the upcoming tax season.

Off Balance Sheet Arrangements

From time to time, we have been party to interest rate swap agreements. These swaps effectively changed the variable-rate of our credit facility into a fixed rate credit facility. Our most current interest rate swap agreements expired in March 2013 and we were not a party to an interest rate swap agreement at October 31, 2015. We may enter into interest rate swap agreements in the future if we determine that it is appropriate to hedge our interest rate risk.

We also enter into forward contracts to eliminate exposure related to foreign currency fluctuations in connection with the short-term advances we make to our Canadian subsidiary in order to fund personal income tax refund discounting for our

Canadian operations. At October 31, 2015, there were no forward contracts outstanding, but we expect to enter into forward contracts in the future during the Canadian tax season.

ITEM 3
QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in our market risks from those reported at April 30, 2015 in our Annual Report on Form 10-K.

ITEM 4
CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) as of October 31, 2015. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of October 31, 2015, our disclosure controls and procedures were effective in providing reasonable assurance that information is recorded, processed, summarized and reported by our management on a timely basis in order to comply with our disclosure obligations under the Exchange Act and the rules and regulations promulgated thereunder.

Changes in Internal Control over Financial Reporting

During our most recent fiscal quarter, there has not occurred any change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II

ITEM 1 LEGAL PROCEEDINGS

In the ordinary course of operations, we may become a party to legal proceedings. Based upon information currently available, management believes that such legal proceedings, in the aggregate, will not have a material adverse effect on our business, financial condition, cash flows, or results of operations except as provided below.

ERC class action litigation. We were sued in November 2011 in federal courts in Arkansas, California, Florida, and Illinois, and additional lawsuits were filed in federal courts in January 2012 in Maryland and North Carolina, in February 2012 in Wisconsin, and in May 2012 in New York and Minnesota. In April 2012, a motion to consolidate all of the then-pending cases before a single judge in federal court in the Northern District of Illinois was granted, and in June 2012, the plaintiffs filed a new complaint in the consolidated action. The consolidated complaint alleges that our refund transfer products formerly called electronic refund checks ("ERC") represent a form of refund anticipation loan ("RAL") because the taxpayer is "loaned" the tax preparation fee, and that the refund transfer product is, therefore, subject to federal truth-in-lending disclosure and state law requirements regulating RALs. The plaintiffs also allege disclosure violations related to the ERC fees paid by RAL customers. The plaintiffs, therefore, claim violations of state-specific RAL and other consumer statutes. The lawsuit purports to be a class action, and the plaintiffs allege potential damages in excess of \$5.0 million. We appealed to the United States Court of Appeals for the Seventh Circuit a ruling that certain of the plaintiffs' claims were not subject to arbitration. Following mediation, the parties entered into a settlement agreement in June 2015 pursuant to which we funded the establishment of a settlement fund of \$5.3 million, inclusive of settlement administration costs and plaintiffs' counsel fees. The claims process has begun and following the conclusion of that process we anticipate that the final approval of the trial court will be sought. We have preserved potential claims against a financial product partner that was responsible for the design of a portion of our ERC programs in the years at issue in the cases. We accrued the proposed settlement amount during fiscal 2015.

TCPA class action litigation. We were sued in September 2013 in federal court in Illinois in connection with alleged violations of the Telephone Consumer Protection Act. Plaintiff alleges that we inappropriately made auto dialed telephone calls to cellular telephones, seeks the certification of a nationwide class action, and claims statutory damages of \$500-\$1,500 per violation. We tendered the defense of this litigation to a third party entity that had contracted with us to solicit potential franchisees, and that third party entity acknowledged its defense and indemnification obligations to us. However, because the third party did not have the financial resources to satisfy its defense and indemnity obligations, we concluded that we could not rely upon the fulfillment of those obligations. In September 2014, the Company and the plaintiffs reached a tentative settlement of this litigation pursuant to which we funded the establishment of a settlement fund of \$3.0 million, inclusive of settlement administration costs and plaintiffs' counsel fees. This settlement received the preliminary approval of the court and notices to class members have been sent, but the settlement remains subject to final court approval. We accrued the proposed settlement amount during fiscal 2015.

We are also party to claims and lawsuits that are considered to be ordinary, routine litigation incidental to the business, including claims and lawsuits concerning the preparation of customers' income tax returns, the fees charged to customers for various products and services, relationships with franchisees, intellectual property disputes, employment matters, and contract disputes. Although we cannot provide assurance that we will ultimately prevail in each instance, we believe the amount, if any, we will be required to pay in the discharge of liabilities or settlements in these claims will not have a material adverse impact on our consolidated results of operations or financial position.

ITEM 1A RISK FACTORS

There have been no material changes in our risk factors from those reported in our Annual Report on Form 10-K for the year ended April 30, 2015 filed on July 1, 2015.

ITEM 2 UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

There were no issuances of unregistered shares of our Class A Common Stock during the quarter ended October 31, 2015.

PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

Our Board of Directors has approved \$10 million of authorizations for share repurchases. These authorizations have no specific expiration date and cash proceeds from stock option exercises increase the amount of the authorizations. Shares repurchased from option exercises that are net-share settled by us and shares repurchased in privately negotiated transactions are not considered share repurchases under these authorizations. During the six months ended October 31, 2015, we repurchased shares as follows:

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plan	Cash received for stock option exercises (amounts in thousands)	Maximum value of shares that may be purchased under the plan as of month end (amounts in thousands)
May 1 through May 31, 2015	—	\$ —	—	\$ 110	\$ 6,314
June 1 through June 30, 2015	1,598	24.52	—	124	6,438
July 1 through July 31, 2015	50,011	24.67	50,000	43	5,248
August 1 through August 31, 2015	—	—	—	16	5,264
September 1 through September 30, 2015	14,586	23.12	13,330	51	5,007
October 1 through October 31, 2015	4,440	22.88	4,440	—	4,905
Total	70,635		67,770		

**ITEM 5
OTHER INFORMATION**

On September 2, 2015, we and our subsidiaries entered into a Third Amendment to Revolving Credit and Term Loan Agreement with and among the lenders party thereto and SunTrust Bank, as administrative agent (the "Third Amendment"). The Third Amendment relates to, and was entered into pursuant to, the Revolving Credit and Term Loan Agreement dated as of April 30, 2012, as amended, with and among the lenders party thereto and SunTrust Bank, as administrative agent (the "Credit Agreement"). The purpose of the Third Amendment was to provide for a modification of certain loan covenants and definitions to make clear that the payment of cash dividends to our stockholders is permissible under the Credit Agreement, and will not be included in calculations of our required fixed charge coverage ratio, provided that we are otherwise not in default under the Credit Agreement.

**ITEM 6
EXHIBITS**

We have filed the following exhibits as part of this report:

<u>Exhibit Number</u>	<u>Exhibit Description</u>	<u>Filed Herewith</u>	<u>Incorporated by Reference</u>
10.1	Employment agreement for Vanessa Szajnoga dated November 24, 2015	X	
31.1	Certification of Chief Executive Officer	X	
31.2	Certification of Chief Financial Officer	X	
32.1(1)	Section 1350 Certification (Chief Executive Officer)	X	
32.2(1)	Section 1350 Certification (Chief Financial Officer)	X	
101.INS(2)	XBRL Instance Document	X	
101.SCH(2)	XBRL Taxonomy Extension Schema	X	
101.CAL(2)	XBRL Taxonomy Extension Calculation Linkbase	X	
101.LAB(2)	XBRL Taxonomy Extension Label Linkbase	X	
101.PRE(2)	XBRL Taxonomy Extension Presentation Linkbase	X	
101.DEF(2)	XBRL Taxonomy Extension Definition Linkbase	X	

(1) This exhibit is intended to be furnished and shall not be deemed "filed" for purposes of the Securities Exchange Act of 1934, as amended.

(2) Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not to be "filed" or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, or Section 18 of the Securities Act of 1934, as amended, and otherwise are not subject to liability under these sections.

SIGNATURES

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

**Liberty Tax, Inc.
(Registrant)**

December 9, 2015

By: /s/ John T. Hewitt
John T. Hewitt
Chief Executive Officer and Chairman of the Board
(Principal Executive Officer)

December 9, 2015

By: /s/ Kathleen E. Donovan
Kathleen E. Donovan
Chief Financial Officer
(Principal Financial Officer)

EXHIBIT INDEX

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31.2	Certification of Chief Financial Officer	X	
32.1(1)	Section 1350 Certification (Chief Executive Officer)	X	
32.2(1)	Section 1350 Certification (Chief Financial Officer)	X	
101.INS(2)	XBRL Instance Document	X	
101.SCH(2)	XBRL Taxonomy Extension Schema	X	
101.CAL(2)	XBRL Taxonomy Extension Calculation Linkbase	X	
101.LAB(2)	XBRL Taxonomy Extension Label Linkbase	X	
101.PRE(2)	XBRL Taxonomy Extension Presentation Linkbase	X	
101.DEF(2)	XBRL Taxonomy Extension Definition Linkbase	X	

(1) This exhibit is intended to be furnished and shall not be deemed “filed” for purposes of the Securities Exchange Act of 1934, as amended.

(2) Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not to be “filed” or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, or Section 18 of the Securities Act of 1934, as amended, and otherwise are not subject to liability under these sections.

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (this "Agreement") is entered into effective as of the 24th day of November, 2015 by and between Liberty Tax, Inc., a Delaware corporation (the "Holding Company"), JTH Tax, Inc., a Delaware corporation ("JTH Tax") and subsidiary of the Holding Company and Vanessa M. Szajnoga ("Executive"). Liberty Tax, Inc., together with its subsidiaries (including JTH Tax), shall be referred to in this Agreement as the "Company."

WITNESSETH:

WHEREAS, the Company desires to employ and secure the services of Executive on the terms and conditions set forth in this Agreement;

WHEREAS, the Executive will provide services as described herein to the Company; and

WHEREAS, Executive desires to accept such employment on such terms and conditions.

NOW, THEREFORE, in consideration of the mutual covenants and promises contained herein and for other good and valuable consideration, the Company and Executive hereby agree as follows:

1. Agreement to Employ. Upon the terms and subject to the conditions of this Agreement, the Company hereby agrees to employ Executive, and Executive hereby accepts such employment with the Company.

2. Term; Position and Responsibilities; Location.

(a) Term of Employment. Unless Executive's employment shall sooner terminate pursuant to Section 7, the Company shall continue to employ Executive on the terms and subject to the conditions of this Agreement from the date first written above through November 28, 2016. This Agreement shall be renewed automatically for successive additional terms of one (1) year each, unless either party gives the other written notice of non-renewal at least ninety (90) days prior to the expiration of the initial term or any additional term, as the case may be. The period during which Executive is employed with the Company under this Agreement following the effective date of this Agreement shall be referred to as the "Employment Period."

(b) Position and Responsibilities. During the Employment Period, Executive shall serve as Vice President of the Company and General Counsel of JTH Tax and shall be responsible for managing such duties and responsibilities as are assigned to that position from time to time. Executive will also serve as a member of the Company's Executive Committee. Executive agrees that during the Employment Period, Executive shall report directly to the Chief Executive Officer of the Company and shall devote as much of her skill, knowledge, commercial efforts and business time as the Board shall reasonably require for the conscientious and good faith performance of her duties and responsibilities to the best of her ability. Company shall issue a press release or other public statement that includes an announcement of Executive's role by December 11, 2015.

(c) Location. During the Employment Period, Executive's services shall be performed primarily in Virginia Beach, Virginia.

(d) Other Activities. The Company and Executive acknowledge that notwithstanding her duties under this Agreement, Executive shall be permitted during the Employment Period to serve on civic and charitable boards, and subject to Section 9(b), on the boards of directors (or similar governing bodies) of other entities. In addition, the Executive may continue to be active in her service with the bar associations with which she is currently involved, including the American Bar Association and the International Franchise Association, and to participate in meetings and other activities consistent with her bar-related duties.

3. Base Salary.

During the Employment Period, the Company shall pay Executive a base salary at an annualized rate of \$220,000 which shall be increased to \$250,000 on May 1, 2016 and is payable in installments on the Company's regular payroll dates but not less frequently than monthly. The Board shall review Executive's base salary annually during the Employment Period (beginning after the fiscal year ending April 30, 2016) and may increase (but not decrease) that base salary from time-to-time, based on its periodic review of Executive's performance in accordance with the Company's regular policies and procedures. The base salary amount payable to Executive for a full year under this Section 3 shall be referred to herein as the "Base Salary."

4. Incentive Compensation/Bonus.

The Company has established an annual incentive bonus program (the "Bonus"). For the duration of this Agreement

beginning with the fiscal year beginning May 1, 2015, the Executive will be eligible for the Bonus, payable as and when Bonuses payable to other executive officers of the Company are paid. The amount available to be paid to Executive, and the time and form of payment of bonuses, will be determined and approved by the Compensation Committee of the Board. For the fiscal year beginning May 1, 2015, the maximum amount of the Bonus shall be based on a pro-rata that calculates the bonus as ten percent (10%) of the Base Salary paid to Executive from May 1, 2015 through November 24, 2015, and as thirty percent (30%) of the Base Salary paid to Executive from November 25, 2015 through April 30, 2016. For all other fiscal years, the maximum amount of the Bonus shall be equal to thirty percent (30%) of the Base Salary paid to Executive as of the last day of each fiscal year, and Executive's eligibility for the Bonus shall be determined on a basis consistent with the executive officers of the Company (as defined under the Securities Exchange Act of 1934).

5. Employee Benefits.

(a) General. During the Employment Period, Executive will be eligible to participate in the employee and executive benefit plans and programs maintained by the Company from time-to-time in which executive officers of the Company are eligible to participate, including, to the extent maintained by the Company, life, medical, dental, accidental and disability insurance plans, retirement plans, incentive stock award and stock compensation plans, and deferred compensation and savings plans, in accordance with the terms and conditions thereof as in effect from time-to-time. Executive shall be eligible to continue to participate in the Company's existing 401(k) plan, in accordance with its terms, and the Company shall match Executive's contributions in accordance with the terms of that plan, provided that the matching does not violate any provisions of the 401(k) plan.

(b) Vacation. During the Employment Period, Executive shall be entitled to vacation on the same basis as other executive officers of the Company. Executive shall also be entitled to Company-designated holidays.

(c) Smart Phone. During the Employment Period, the Company shall reimburse Executive for expenses related to the use and maintenance of a smart phone. Executive shall submit a detailed bill in order to obtain reimbursement, if necessary.

(d) Business Travel, Lodging. The Company will reimburse Executive for reasonable travel, lodging, meal and other reasonable expenses incurred by her in connection with the performance of her duties and responsibilities hereunder upon submission of related receipts or other evidence of the incurrence and purpose of each such expense consistent with the terms and conditions of the Company's business expense reimbursement policy.

(e) Stock Compensation. During the Employment Period, Executive shall be eligible for consideration for grants made under the Company's stock compensation plans as in effect from time to time, subject in all cases to the discretion of the Board and the Compensation Committee of the Board ("the Committee"). The Company and Executive acknowledge that, contemporaneously with the signing of this agreement, the Executive has been granted options to purchase a total of Thirty Thousand shares of the Company's Class A Common Stock, subject to vesting and other terms to be further defined in applicable stock option agreements.

(f) Licenses. The Company will pay or reimburse Executive for (i) all required license fees and mandatory dues associated with her status as an attorney admitted to the Virginia State Bar and practicing law as Vice President and General Counsel of the Company, (ii) dues and related charges associated with her status as a member of the American Bar Association and the International Franchise Association, and (iii) the expenses (including reasonable travel expenses) incurred in connection with the activities contemplated by Section 2(d).

6. Sarbanes-Oxley/Dodd-Frank Act Compliance: Repayment of Bonus and Profits: Executive understands that, in accordance with The Sarbanes-Oxley Act of 2002 and the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (together, "Applicable Law"), if the Holding Company is required to prepare an accounting restatement due to the material noncompliance of the Holding Company with any financial reporting requirement under securities laws, Executive shall reimburse the Company, to the extent reimbursement is required by Applicable Law, for: (i) any bonus or other incentive-based or equity-based compensation received by Executive from the Company during the three-year period following the first public issuance or filing with the SEC (whichever first occurs) of the financial document embodying such financial reporting requirement; and (ii) any profits realized from the sale of securities of the Holding Company during that three-year period.

7. Termination of Employment. The Board believes it is in the best interests of the Company to diminish the inevitable distraction of the Executive by virtue of the personal uncertainties and risks in the event the Executive terminates her employment for Good Reason (as defined herein) or is terminated by the Company without Cause (as defined herein) and to encourage the Executive's full attention and dedication to the Company currently, and to provide the Executive with compensation and benefits arrangements upon termination, subject to the requirements and restrictions set forth in Section 8.

(a) Certain Definitions.

(i) "Date of Termination" means (i) if the Executive's employment is terminated by the Company for Cause, or by the Executive for Good Reason, the date of receipt of the Notice of Termination or any later date specified therein, as the case may be, (ii) if the Executive's employment is terminated by the Company other than for Cause or for Good Reason, the date on which the Company or the Executive notifies the other of such termination, as the case may be, and (iii) if the Executive's employment is terminated by reason of death or disability, the date of death of the Executive or the effective date of the disability, as the case may be.

(ii) The "Effective Date" shall mean the date on which an event occurs that gives rise to Good Reason for termination of the Executive's employment with the Company.

(b) Termination of Employment.

(i) Good Reason. Executive may terminate her employment during the Employment Period for Good Reason. In such event, the Company shall have the Termination Obligations in Section 7(d)(i) below. For the purposes of this Agreement, "Good Reason" shall mean any of the following:

(A) the assignment to the Executive of duties inconsistent with the Executive's status as an executive officer of the Company or any other action by the Company that results in a significant diminution in that status, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and that is remedied by the Company within thirty (30) days after receipt of notice thereof given by the Executive;

(B) any failure by the Company to provide the Executive with compensation and benefits that are in the aggregate at least commensurate in all material respects with those provided to Executive as of the Effective Date, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and that is remedied by the Company within thirty (30) days after receipt of notice thereof given by the Executive;

(C) any change of the Executive's primary place of business away from the metropolitan area that includes Virginia Beach, Virginia; or

(D) any material breach of this Agreement by the Company.

(ii) Without Good Reason. Executive may terminate her employment during the Employment Period without Good Reason. In such event, the Company shall have the Termination Obligations in Section 7(d)(ii) below.

(iii) Cause. The Company may terminate the Executive's employment during the Employment Period for Cause. In such event, the Company shall have the Termination Obligations in Section 7(d)(ii) below. For purposes of this Agreement, "Cause" shall mean any of the following:

(A) the willful and continued failure of the Executive to perform substantially the Executive's duties with the Company (other than any such failure resulting from incapacity due to physical or mental illness), if, within 30 days of receiving a written demand for substantial performance from the Board or the Chief Executive Officer that specifically identifies the manner in which the Executive has not substantially performed her duties, the Executive shall have failed to cure the non-performance

or to take measures to cure the non-performance, or

(B) the willful engaging by the Executive in dishonesty, illegal conduct or gross misconduct that is materially and demonstrably injurious to the Company.

(C) the Executive's indictment or conviction of a crime that (i) is predicated on either fraud or embezzlement, (ii) involves moral turpitude, or (iii) constitutes a felony under Virginia law;

For purposes of this provision, no act or failure to act, on the part of the Executive, shall be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive's action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or a committee thereof, or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company. The cessation of employment of the Executive shall not be deemed to be for Cause unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership at a meeting of the Board called and held for that purpose (after reasonable notice is provided to the Executive and the Executive is given an opportunity, together with counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, the Executive is at fault for conduct described in subparagraph (A) or (B) above, and specifying the particulars thereof in detail.

(iv) Without Cause. The Company may terminate Executive without Cause. In such event, the Company shall have the Termination Obligations in Section 7(d)(i) below.

(v) Death or Disability. Executive's employment shall automatically terminate on Executive's death and may be terminated by the Company due to her Disability. For the purposes of this Agreement, "Disability" shall mean a physical or mental disability that prevents Executive from performing her essential job functions as chief legal officer for a continuous period of at least six (6) months. In such event, the Company shall have the Termination Obligations in Section 7(d)(ii) below.

(vi) Employment-Related Death or Disability. For the purposes of this Agreement, "Employment-Related Death or Disability" shall mean the death of Executive or the Disability of Executive, to the extent Death occurred while Executive was traveling while performing Executive's duties with the Company, or the proximate cause of the Disability was directly related to the performance of Executive's duties with the Company.

(c) Notice of Termination. Any termination of Executive's employment by the Company for or without Cause, or by the Executive for or without Good Reason, shall be communicated by a Notice of Termination to the other party. For purposes of this Agreement, a "Notice of Termination" means a written notice that (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated and (iii) if the Date of Termination is other than the date of receipt of the notice (which date shall be not more than thirty days after the giving of the notice). The failure by the Company or the Executive to set forth in the Notice of Termination any fact or circumstance that contributes to a showing of Cause or Good Reason shall not waive any right of the Executive or the Company, respectively, hereunder or preclude the Executive or the Company, respectively, from asserting that fact or circumstance in enforcing the Executive's or the Company's rights hereunder.

(d) Company's Termination Obligations.

(i) Good Reason, Without Cause or Employment-Related Death or Disability. If the Executive's employment is terminated by Executive for Good Reason, by the Company without Cause, or as a result of Executive's Employment-Related Death or Disability, then subject to Executive's (or her representative's in the case of Employment-Related Death or Disability) execution of a mutual release of claims in favor of the Company, its affiliates and their respective officers, directors and/or managers in a form provided by the Company to Executive (or her representative), the Company shall pay to Executive an amount equal to the aggregate of the following amounts under (A) and (B) and provide the other benefits provided below:

(A) Executive's Base Salary through the Date of Termination, to the extent not previously paid, reimbursement for any unreimbursed business expenses incurred by Executive prior to the Date of Termination that are subject to reimbursement under Section 5 above and payment of accrued, but unused vacation time as of the Date of Termination ("Accrued Obligations").

(B) an amount equal to the Executive's monthly Base Salary as of the day prior to the Date of Termination multiplied by twelve (12).

(C) If but only if the Date of Termination is subsequent to February 15 of the calendar year in which it occurs, the portion of the Bonus for the fiscal year of the Company (ending on April 30) that includes the Date of Termination equal to the product (that product, the "Pro-Rata Bonus") of the Bonus that would have been payable to Executive for that fiscal year had Executive remained employed for the entire fiscal year, determined based on the extent to which the Company achieves the performance goals for that year, multiplied by a fraction, the numerator of which is equal to the number of days in the fiscal year that precedes the Date of Termination and the denominator of which is equal to 365, payable in cash at the time otherwise provided under the terms of the Bonus program (the "Bonus Payment Date").

(D) to the extent any incentive stock awards, such as stock options, stock appreciation rights, restricted stock, dividend equivalent rights, or any other form of incentive stock compensation granted Executive shall have not vested, then (i) if the Executive's employment is terminated by Executive for Good Reason or by the Company for Good Cause, such incentive stock awards that were scheduled to vest during the twelve (12) months following the Date of Termination shall immediately become fully (100%) vested and exercisable and shall be paid in accordance with their terms, and all other incentive stock awards shall be deemed to have lapsed without vesting on the Date of Termination and (ii) if the Executive's employment is terminated as a result of Executive's Employment-Related Death or Disability, they shall immediately become (100%) vested and exercisable and shall be paid in accordance with their terms.

(E) continued coverage at the Company's expense under the Company's medical and dental arrangements with respect to Executive and any of her dependents who were covered under those Company plans on the day prior to the Date of Termination for a period of twelve (12) months following the Date of Termination; provided, however, that if Executive becomes reemployed with another employer and is eligible to receive comparable medical or other welfare benefits under another employer provided plan, the medical and other welfare benefits described herein shall be secondary to those provided under such other plan during the applicable period of eligibility provided that the costs of obtaining those medical and other welfare benefits is less than the cost of those benefits to Executive immediately prior to the Date of Termination, and provided further that continued participation shall not be allowed if the Company determines that the payment would be considered discriminatory under applicable law.

(F) to the extent not theretofore paid or provided, the Company shall timely pay or provide to Executive any other amounts or benefits required to be paid or provided or that the Executive is eligible to receive under any plan, program, policy or practice or contract or agreement of the Company and/or the Company's Affiliates.

Subject to Section 8, the amount payable pursuant to (B) above shall be payable on the six-month anniversary of the Date of Termination.

(ii) Without Good Reason, With Cause, Death or Disability (other than Employment-Related Death or Disability). If Executive's employment should terminate on her death, if the Company should terminate her employment for Cause or due to her Disability, or if she should terminate her employment without Good Reason during the Employment Period, other than as a consequence of Employment-Related Death or Disability, the Company shall pay to Executive (or to her estate in the event of her death) the Accrued Obligations within thirty (30) days following the Date of Termination. In addition, if Executive's employment should terminate on her death or because of her Disability during the Employment Period (other than as a consequence of Employment-Related Death or Disability), the Company shall pay to Executive (or to her estate in the event of her death) the Pro-Rata Bonus, if any, in one lump sum payment on the Bonus Payment Date for the

fiscal year of the Company that includes the Date of Termination.

(e) Non-exclusivity of Rights. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any plan, program, policy or practice provided by the Company and for which the Executive may qualify, nor, shall anything herein limit or otherwise affect the rights that the Executive may have under any contract or agreement with the Company. Amounts that are vested benefits or that the Executive is otherwise entitled to receive under any plan, policy, practice or program of or any contract or agreement with the Company at or subsequent to the Date of Termination shall be payable in accordance with that plan, policy, practice or program or contract or agreement except as explicitly modified by this Agreement.

(f) Full Settlement. The Company's obligations to make the payments provided for in this Agreement and otherwise to perform the Company's obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action that the Company may have against Executive or others. In no event shall Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to Executive under any of the provisions of this Agreement and such amounts shall not be reduced whether or not Executive obtains other employment. The Company agrees to pay as incurred, to the full extent permitted by law, all legal fees and expenses that the Executive may reasonably incur as a result of any contest (regardless of the outcome thereof) by the Company or others of the validity or enforceability of, or liability under, any provision of this Agreement or any guaranty of performance thereof (including as a result of any contest by Executive about the amount of any payment pursuant to this Agreement), plus in each case interest on any delayed payment at the applicable Federal rate provided for in Section 7872(f)(2)(A) of the Internal Revenue Code of 1986, as amended (the "Code").

(g) Limitation on Benefits. It is the intention of the parties that payments to be made to the Executive pursuant to this Agreement and under any other plan, agreement or arrangement maintained by the Company shall not constitute "excess parachute payments" within the meaning of Section 280G of the Code and any regulations thereunder. If the independent accountants serving as auditors for the Company on the Effective Date (or any other accounting firm designated by the Company) determine that any payment or distribution by the Company to or for the benefit of the Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise) would be nondeductible by the Company under Section 280G of the Code (and any successor provision) as amended from time to time, then the amounts payable or distributable under this Agreement will be reduced to the maximum amount that may be paid or distributed without causing such payments or distributions to be nondeductible. The determination shall take into account (a) whether the payments or distributions are "parachute payments" under Section 280G, (b) the amount of payments and distributions under this Agreement or any other plan, agreement or arrangement that constitute reasonable compensation, and (c) the present value of the payments and distributions determined in accordance with Treasury Regulations in effect from time to time. In

the event any payments or benefits are to be reduced, the Company shall reduce or eliminate the payments to the Executive by first reducing or eliminating those payments or benefits that are payable in cash and then by reducing or eliminating those payments that are not payable in cash, in each case in reverse order beginning with payments or benefits that are to be paid or provided the farthest in time from the date of determination. Any reduction pursuant to the preceding sentence shall take precedence over the provisions of any other plan, arrangement or agreement governing the Executive's rights and entitlements to any benefits or compensation.

(h) Successors.

(i) This Section 7 of the Agreement is personal to the Executive and, without the prior written consent of the Holding Company, shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. This Section 7 of the Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.

(ii) This Section 7 of the Agreement shall inure to the benefit of and be binding upon the Company and the Company's successors and assigns.

(iii) The Company will require any Successor (whether direct or indirect, by purchase, merger, consolidation

or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place.

8. Code Section 409A Compliance

(a) The intent of the parties is that payments and benefits under this Agreement comply with Section 409A of the Internal Revenue Code and applicable guidance thereunder (“Code Section 409A”) or comply with an exemption from the application of Code Section 409A and, accordingly, all provisions of this Agreement shall be construed in a manner consistent with the requirements for avoiding taxes or penalties under Code Section 409A.

(b) Neither the Executive nor the Company shall take any action to accelerate or delay the payment of any monies and/or provision of any benefits in any matter that would not be in compliance with Code Section 409A.

(c) A termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the form or timing of payment of any amounts or benefits upon or following a termination of employment unless the termination is also a “separation from service” (within the meaning of Code Section 409A) and, for purposes of any such provision of this Agreement under which (and to the extent) deferred compensation subject to Code Section 409A is paid, references to a “termination” or “termination of employment” or like references shall mean separation from service. If the Executive is deemed on the date of separation from service with the Company to be a “specified employee”, within the meaning of that term under Code Section 409A(a)(2)(B) and using the identification methodology selected by the Company from time to time, or if none, the default methodology, then with regard to any payment or benefit that is required to be delayed in compliance with Code Section 409A(a)(2)(B), the payment or benefit shall not be made or provided prior to the earlier of (i) the expiration of the six- month period measured from the date of the Executive’s separation from service or (ii) the date of the Executive’s death. In the case of benefits required to be delayed under Code Section 409A, however, the Executive may pay the cost of benefit coverage, and thereby obtain benefits, during that six month delay period and then be reimbursed by the Company thereafter when delayed payments are made pursuant to the next sentence. On the first day of the seventh month following the date of the Executive’s separation from service or, if earlier, on the date of the Executive’s death, all payments delayed pursuant to this Section 8(c) (whether they would have otherwise been payable in a single sum or in installments in the absence of the delay) shall be paid or reimbursed to the Executive in a lump sum, and any remaining payments and benefits due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them herein.

(d) With regard to any provision herein that provides for reimbursement of expenses or in-kind benefits subject to Code Section 409A, except as permitted by Code Section 409A, (i) the right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit, and (ii) the amount of expenses eligible for reimbursement, or in-kind benefits, provided during any taxable year shall not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year, provided that the foregoing clause (ii) shall not be violated with regard to expenses reimbursed under any arrangement covered by Code Section 105(b) solely because those expenses are subject to a limit related to the period the arrangement is in effect. All reimbursements shall be reimbursed in accordance with the Company’s reimbursement policies but in no event later than the fiscal year following the fiscal year in which the related expense is incurred.

(e) If under this Agreement, an amount is to be paid in two or more installments, for purposes of Code Section 409A, each installment shall be treated as a separate payment.

(f) When, if ever, a payment under this Agreement specifies a payment period with reference to a number of days (e.g., “payment shall be made within ten (10) days following the date of termination”), the actual date of payment within the specified period shall be within the sole discretion of the Company.

(g) Notwithstanding any of the provisions of this Agreement, the Company shall not be liable to the Executive if any payment or benefit which is to be provided pursuant to this Agreement and that is considered deferred compensation subject to

Code Section 409A otherwise fails to comply with, or be exempt from, the requirements of Code Section 409A.

9. Restrictive Covenants. The Company and Executive agree that Executive will have a prominent role in the management of the business, and the development of the goodwill of the Company and will have access to and become familiar with or exposed to Confidential Information (as that term is defined below), in particular, trade secrets, proprietary information, and other valuable business information of the Company pertaining to the Company's specialty business involving income tax preparation, the electronic filing of income tax returns, refund anticipation loans, or franchising of any of these activities (the "Company's Business"). Executive agrees that Executive could cause harm to the Company if she solicited the Company's employees, customers, or business counterparties upon the termination of Executive's employment away from the Company, or misappropriated or divulged the Company's Confidential Information; and that as such, the Company has legitimate business interests in protecting its goodwill and Confidential Information; and, as such, these legitimate business interests justify the following restrictive covenants:

(a) Confidentiality and Non-Disclosure Covenant.

(i) Executive acknowledges and agrees that the terms of this Agreement, including all addendums and attachments hereto, are confidential. Except as required by law or the requirements of any stock exchange, Executive agrees not to disclose any information contained in this Agreement to anyone, other than to Executive's lawyer, financial advisor or immediate family members. If Executive discloses any Information contained in this Agreement to her lawyer, financial advisor or immediate family members as permitted herein, Executive agrees to immediately tell each such individual that she must abide by the confidentiality restrictions contained herein and keep such information confidential as well.

(ii) Executive agrees that during her employment with the Company and thereafter, Executive will not, directly or indirectly (A) disclose any Confidential Information to any Person (other than, only with respect to the period that Executive is employed by the Company, to an employee or outside advisor of the Company who requires such information to perform her duties for the Company), or (B) use any Confidential Information for Executive's own benefit or the benefit of any third party. "Confidential Information" includes the Company's marketing plans, business plans, financial information and records, operation methods, personnel information, computer databases and proprietary software programs, drawings, designs, information regarding product development, customer lists, or other commercial or business information and any other information not available to the public generally. The foregoing obligation shall not apply to any Confidential Information that has been previously disclosed to the public, is in the public domain (other than by reason of a breach of Executive's obligations to hold the Confidential Information confidential), or is otherwise known by Executive prior to her employment under this Agreement. In particular, Confidential Information will not include any knowledge of the Executive with respect to the general business of the Company. If Executive is required or requested by a court or governmental agency to disclose Confidential Information, Executive must notify the Board of that disclosure obligation or request no later than three (3) business days after Executive learns of the obligation or request, and permit the Company to take all lawful steps it deems appropriate to prevent or limit the required disclosure.

(b) Non-Competition Covenant.

(i) Executive agrees that during her employment with the Company, Executive shall devote as much of her skill, knowledge, commercial efforts and business time as the Board shall reasonably require to the conscientious and good faith performance of her duties and responsibilities to the Company to the best of her ability. Accordingly, Executive shall not, directly or indirectly, be employed by, render services for, engage in business with or serve as an agent or consultant to any Person other than the Company, except for service on the boards of directors (or similar governing bodies) of not more than three (3) other for-profit enterprises).

(ii) Executive further agrees that for a period of twelve (12) months following the termination of her employment with the Company (for any reason), Executive shall not, directly or indirectly, within a twenty-five (25) mile radius of any Liberty Tax Service office (or other retail tax office operated by the Holding Company, JTH Tax, any of their Subsidiaries, or any of their respective franchisees) in the United States or Canada that exists as of the effective date of termination (whether owned or

franchised), provide services as an employee, consultant, or independent contractor, in the same or substantially similar capacity as that in which Executive serves the Company at the time of her termination, to any company that is engaged in, and is competitive with, the Company's Business.

(iii) Executive shall be permitted to hold a five percent (5%) or less interest in the equity or debt securities of any publicly traded company.

(iv) Notwithstanding the foregoing, Executive and the Company agree that the provisions of Section 9(b)(ii) above shall not apply to a business operated by Executive's spouse to the extent that business is predominantly focused on the preparation of United States federal and state tax returns for expatriates and the preparation of United States federal and state tax returns for the Company's clients (both through company-owned offices and franchisees) in Canada.

(c) Non-Solicitation of Employees and Franchisees. During the period of Executive's employment with the Company and for the twelve (12) month period following the termination of her employment (for any reason), Executive shall not, directly or indirectly, by himself or through any third party, whether on Executive's own behalf or on behalf of any other Person or entity, (i) solicit or induce or endeavor to solicit or induce, divert, employ or retain, (ii) interfere with, or attempt to establish a business relationship of a nature that is competitive with the Company's Business with any person that is or was (during the last ninety (90) days of Executive's employment with the Company) an employee or franchisee of the Company (or other retail tax office operated by the Holding Company, JTH Tax or any of their Subsidiaries, or any of their respective franchisees), or a relative or Affiliate of a franchisee, without the express written permission of the Company.

(d) Non-Solicitation of Customers. During the period of Executive's employment with the Company and for the twelve (12) month period following the termination of her employment (for any reason), Executive shall not, directly or indirectly, by himself or through any third party, whether on Executive's own behalf or on behalf of any other Person or entity, (i) solicit or induce or endeavor to solicit or induce, divert, employ or retain, (ii) interfere with, or (iii) attempt to establish a business relationship of a nature that is competitive with the Company's Business with any person that is or was (during the last ninety (90) days of Executive's employment with the Company) a customer of the Company or other retail tax office operated by the Holding Company, JTH Tax, any of their Subsidiaries, or any of their respective franchisees, without the express written permission of the Company.

10. Work Product. Executive agrees that all of Executive's work product (created solely or jointly with others, and including any intellectual property or moral rights in such work product), given, disclosed, created, developed or prepared in connection with Executive's employment with the Company ("Work Product") shall exclusively vest in and be the sole and exclusive property of the Company and shall constitute "work made for hire" (as that term is defined under Section 101 of the U.S. Copyright Act, 17 U.S.C. § 101) with the Company being the person for whom the work was prepared. In the event that any Work Product is deemed not to be a "work made for hire" or does not vest by operation of law in the Company, Executive hereby irrevocably assigns, transfers and conveys to the Company, exclusively and perpetually, all right, title and interest that Executive may have or acquire in and to Work Product throughout the world, including without limitation any copyrights and patents, and the right to secure registrations, renewals, reissues, and extensions thereof. The Company or its designees shall have the exclusive right to make full and complete use of, and make changes to all Work Product without restrictions or liabilities of any kind, and Executive shall not have the right to use any such materials, other than within the legitimate scope and purpose of Executive's employment with the Company. Executive shall promptly disclose to the Company the creation or existence of any Work Product and shall take whatever additional lawful action may be necessary, and sign whatever documents the Company may require, in order to secure and vest in the Company, or its designees all right, title and interest in and to all Work Product and any intellectual property rights therein (including full cooperation in support of any Company applications for patents and copyright or trademark registrations).

11. Return of Company Property. In the event of the termination of Executive's employment for any reason, Executive shall return to the Company all of the property of the Company, including without limitation all Company materials or documents containing Confidential Information, and including without limitation, all computers (including laptops), mobile phones, keys, credit

cards, facsimile machines, televisions, card access to any Company building, customer lists, computer disks, reports, files, e-mails, work papers, Work Product, documents, memoranda, records and software, computer access codes or disks and instructional manuals, internal policies, and other similar materials or documents that Executive used, received or prepared, helped prepare or supervised the preparation of in connection with Executive's employment with the Company. Executive agrees not to retain any copies, duplicates, reproductions or excerpts of such material or documents.

12. Compliance With Company Policies. During Executive's employment with the Company, Executive shall be governed by and be subject to, and Executive hereby agrees to comply with, all Company policies, procedures, codes, rules and regulations applicable to all employees and to executive officers of the Company, as they may be amended from time to time in the Company's sole discretion (collectively, the "Policies") provided however that such policies will be reasonably consistent with the policies of other comparable companies in terms of revenue, industry and/or market capitalization.

13. Injunctive Relief with Respect to Covenants. Executive acknowledges and agrees that in the event of any material breach by Executive of any of section of this Agreement that remedies at law may be inadequate to protect the Company, and, *without prejudice to any other legal or equitable rights and remedies otherwise available to the Company*, Executive agrees to the granting of injunctive relief in the Company's favor in connection with any such breach or violation without proof of irreparable harm.

14. Assumption of Agreement. The Company shall require any Successor thereto, by agreement in form and substance reasonably satisfactory to Executive, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such agreement prior to the effectiveness of any such succession shall be a material breach of this Agreement and shall entitle Executive to compensation from the Company in the same amount and on the same terms as Executive would be entitled hereunder if the Company had terminated Executive's employment without Cause as described in Section 7, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination.

15. Indemnification. The Company agrees both during and after the Employment Period to indemnify Executive to the fullest extent permitted by the respective Certificates of Incorporation, Bylaws and other organizational documents of the entities constituting the Company (including payment of expenses in advance of final disposition of a proceeding) against actions or inactions of Executive during the Employment Period as an officer, director or employee of the Company, or any of the Company's Subsidiaries or Affiliates or as a fiduciary of any benefit plan of any of the foregoing. The Company also agrees to provide Executive with Directors and Officers insurance coverage both during and, with regard to matters occurring during the Employment Period, after the Employment Period. That coverage shall be at a level at least equal to the level being maintained at the time for the then current officers and directors or, if then being maintained at a higher level with regard to any prior period activities for officers or directors during the prior period, the higher amount with regard to Executive's activities during the prior period. Executive *shall not* be indemnified by the Company with regard to any liability for repayment of bonuses and/or profits as required under Section 6.

16. Entire Agreement. This Agreement constitutes the entire agreement among the parties hereto with respect to the subject matter hereof. All prior correspondence and proposals (including but not limited to summaries of proposed terms) and all prior promises, representations, understandings, arrangements and agreements relating to such subject matter (including but not limited to those made to or with Executive by any other person and those contained in any prior employment, consulting or similar agreement entered into by Executive and the Company or any predecessor thereto or Affiliate thereof) are merged herein and superseded hereby.

17. Survival. The provisions of this Agreement set forth in Sections 6 through 18 hereof shall survive the termination of the Executive's employment hereunder.

18. Miscellaneous.

(a) Binding Effect: Assignment. This Agreement shall be binding on and inure to the benefit of the Company and its successors and permitted assigns. This Agreement shall also be binding on and inure to the benefit of Executive and her heirs, executors, administrators and legal representatives. This Agreement shall not be assignable by any party hereto without the prior written consent of the other parties hereto.

(b) Choice of Forum and Governing Law. The parties agree that: (i) any litigation involving any noncompliance with or breach of the Agreement, or regarding the interpretation, validity and/or enforceability of the Agreement, shall be interpreted in accordance with and governed by the laws of the Commonwealth of Virginia, without regard for any conflict of law principles; (ii) jurisdiction and venue shall be laid solely and exclusively in the Circuit Court for the City of Virginia Beach or the United States District Court for the Eastern District of Virginia, Norfolk Division.

(c) Taxes. The Company may withhold from any payments made under this Agreement all applicable taxes, including but not limited to income, employment and social insurance taxes, as shall be required by law.

(d) Amendments. No provision of this Agreement may be modified, waived or discharged unless the modification, waiver or discharge is approved in writing by the Board or a Person authorized thereby and is agreed to in writing by Executive. No waiver by any party hereto at any time of any breach by any other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by the other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No waiver of any provision of this Agreement shall be implied from any course of dealing between or among the parties hereto or from any failure by any party hereto to assert its rights hereunder on any occasion or series of occasions. To the extent that after the date of this Agreement, the Company develops a form of executive employment agreement that is expected to be utilized with the executive officers of the Company, the parties will negotiate in good faith with regard to the amendment or replacement of this Agreement in light of such new form of agreement.

(e) Severability. In the event that any one or more of the provisions of this Agreement shall be or become invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not be affected thereby. In the event that one or more terms or provisions of this Agreement are deemed invalid or unenforceable by the laws of Virginia or any other state or jurisdiction in which it is to be enforced, by reason of being vague or unreasonable as to duration or geographic scope of activities restricted, or for any other reason, the provision in question shall be immediately amended or reformed to the extent necessary to make it valid and enforceable by the court of such jurisdiction charged with interpreting and/or enforcing that provision. Executive agrees and acknowledges that the provision in question, as so amended or reformed, shall be valid and enforceable as though the invalid or unenforceable portion had never been included herein.

(f) Notices. Any notice or other communication required or permitted to be delivered under this Agreement shall be (i) in writing, (ii) delivered personally, by courier service or by certified or registered mail, first-class postage prepaid and return receipt requested, (iii) deemed to have been received on the date of delivery or, if mailed, on the third business day after the mailing thereof, and (iv) addressed as follows (or to such other address as the party entitled to notice shall hereafter designate in accordance with the terms hereof):

(i) If to JTH Tax or Holding Company, to:
1716 Corporate Landing Parkway
Virginia Beach, Virginia 23454
Attention: CEO

(ii) If to Executive, to her residential address as currently on file with the Company.

(g) Voluntary Agreement: No Conflicts. Executive represents that she is entering into this Agreement voluntarily and that Executive's employment hereunder and compliance with the terms and conditions of this Agreement will not

conflict with or result in the breach by Executive of any agreement to which she is a party or by which she or her properties or assets may be bound.

(h) Counterparts/Facsimile. This Agreement may be executed in counterparts (including by facsimile), each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

(i) Headings. The section and other headings contained in this Agreement are for the convenience of the parties only and are not intended to be a part hereof or to affect the meaning or interpretation hereof.

(j) Certain other Definitions.

(i) "Affiliate": with respect to any Person, means any other Person that, directly or indirectly through one or more intermediaries, Controls, is Controlled by, or is under common Control with the first Person, including but not limited to a Subsidiary of any such Person.

(ii) "Control" (including, with correlative meanings, the terms "Controlling", "Controlled by" and "under common Control with"): with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of that Person, whether through the ownership of voting securities, by contract or otherwise.

(iii) "Person": any natural person, firm, partnership, limited liability company, association, corporation, company, trust, business trust, governmental authority or other entity.

(iv) "Subsidiary": with respect to any Person, each corporation or other Person in which the first Person owns or Controls, directly or indirectly, capital stock or other ownership interests representing fifty percent (50%) or more of the combined voting power of the outstanding voting stock or other ownership interests of that corporation or other Person.

(v) "Successor": of a Person means a Person that succeeds to the first Person's assets and liabilities by merger, liquidation, dissolution or otherwise by operation of law, or a Person to which all or substantially all the assets and/or business of the first Person are transferred.

IN WITNESS WHEREOF, the Holding Company and JTH Tax have duly executed this Agreement by their authorized representatives, and Executive has hereunto set her hand, in each case effective as of the date first above written.

JTH TAX, INC.

By: /s/ John T. Hewitt
Its: President and Chief Executive Officer

LIBERTY TAX, INC.

By: /s/ John T. Hewitt
Its: President and Chief Executive Officer

EXECUTIVE:

By: /s/ Vanessa M. Szajnoga
Vanessa M. Szajnoga

I, John T. Hewitt, certify that:

1. I have reviewed this quarterly report on Form 10-Q of LIBERTY TAX, INC.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal controls over financial reporting, or caused such internal controls over financial reporting to be designed under our supervision to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

December 9, 2015 By: /s/ John T. Hewitt

John T. Hewitt
Chief Executive Officer and Chairman of the Board
(Principal Executive Officer)

I, Kathleen E. Donovan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of LIBERTY TAX, INC.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal controls over financial reporting, or caused such internal controls over financial reporting to be designed under our supervision to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

December 9, 2015 By: /s/ Kathleen E. Donovan
Kathleen E. Donovan
Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Liberty Tax, Inc. (the "Company") on Form 10-Q for the fiscal quarter ended October 31, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John T. Hewitt, Chief Executive Officer and Chairman of the Board of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

December 9, 2015 By: /s/ John T. Hewitt

John T. Hewitt

Chief Executive Officer and Chairman of the Board (Principal
Executive Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Liberty Tax, Inc. (the "Company") on Form 10-Q for the fiscal quarter ended October 31, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kathleen E. Donovan, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

December 9, 2015 By: /s/ Kathleen E. Donovan
Kathleen E. Donovan
Chief Financial Officer
(Principal Financial Officer)

