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, 2013

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

JTH Holding, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**27-3561876**
(State of incorporation)	(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 ☐ (Do not check if a smaller reporting company)	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 Common Stock, $0.01 par value, at the close of business on December 9, 2013 was 12,082,357 shares.

JTH HOLDING, INC.

Form 10-Q for the Period Ended October 31, 2013

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PART I

ITEM 1
FINANCIAL STATEMENTS

JTH HOLDING, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
October 31, 2013 (unaudited) and April 30, 2013
(In thousands, except share data)

	(unaudited) October 31, 2013	April 30, 2013
Assets		
Current assets:		
Cash and cash equivalents	$ 2,607	$ 19,013
Receivables (note 2):		
Trade accounts	20,749	41,856
Notes	52,074	34,156
Interest, net	3,180	877
Allowance for doubtful accounts	(4,948)	(5,583)
Total receivables, net	71,055	71,306
Available-for-sale securities (note 3)	4,606	3,619
Income tax receivable	11,759	3
Deferred income taxes (note 7)	2,875	4,232
Other current assets	2,926	4,960
Total current assets	95,828	103,133
Property, equipment, and software, net of accumulated depreciation of $20,355 and $19,006 as of October 31, 2013 and April 30, 2013, respectively	36,470	33,037
Notes receivable, excluding current portion, net of allowance for uncollectible amounts of $1,100 and $1,101 as of October 31, 2013 and April 30, 2013, respectively (note 2)	16,793	14,352
Goodwill (note 4)	7,194	5,685
Other intangible assets, net of accumulated amortization of $5,327 and $3,998 as of October 31, 2013 and April 30, 2013, respectively (note 4)	16,316	10,921
Other assets, net	2,160	2,402
Total assets	$ 174,761	$ 169,530
Liabilities and Stockholders' Equity		
Current liabilities:		
Current installments of long-term debt (note 6)	$ 6,485	$ 3,400
Accounts payable and accrued expenses	7,851	11,954
Due to area developers (note 2)	8,315	18,248
Income taxes payable (note 7)	—	5,897
Deferred revenue - short-term portion	6,693	7,555
Total current liabilities	29,344	47,054
Long-term debt, excluding current installments (note 6)	22,987	24,283
Revolving credit facility (note 6)	38,459	—
Deferred revenue - long-term portion	8,092	10,381
Liability classified stock-based compensation awards (note 9)	—	5,111
Deferred income taxes (note 7)	2,106	865
Total liabilities	100,988	87,694
Commitments and contingencies (note 12)		
Stockholders' equity (notes 8 and 9):		
Class A preferred stock, $0.01 par value per share, 190,000 shares authorized, 0 shares issued and outstanding	—	—
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, 12,037,721 and 11,975,128 shares issued and outstanding at October 31, 2013 and April 30, 2013, respectively	120	120
Class B common stock, $0.01 par value per share, 1,000,000 shares authorized, 900,000 shares issued and outstanding	9	9
Exchangeable shares, $0.01 par value, 100,000 shares issued and outstanding	1	1
Additional paid-in capital	7,818	1,920
Accumulated other comprehensive income, net of taxes	1,639	1,194
Retained earnings	64,186	78,592
Total stockholders' equity	73,773	81,836
Total liabilities and stockholders' equity	$ 174,761	$ 169,530

See accompanying notes to condensed consolidated financial statements.

JTH HOLDING, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
Three months and six months ended October 31, 2013 and 2012 (unaudited)
(In thousands, except per share data)

	Three Months Ended October 31,		Six Months Ended October 31,	
	2013	2012	2013	2012
Revenues:				
Franchise fees	$ 886	$ 2,138	$ 1,925	$ 2,805
Area developer fees	1,880	2,079	3,683	4,001
Royalties and advertising fees	1,180	1,049	2,629	2,373
Financial products	169	169	618	471
Interest income (note 2)	2,200	2,651	4,434	5,199
Tax preparation fees, net of discounts	242	225	628	441
Other revenue	760	1,027	1,465	1,292
Total revenues	7,317	9,338	15,382	16,582
Operating expenses:				
Employee compensation and benefits	8,196	7,615	14,285	14,281
General and administrative expenses	7,744	6,110	14,010	11,926
Area developer expense	705	1,115	1,533	1,832
Advertising expense	2,507	2,539	5,191	5,099
Depreciation, amortization, and impairment charges	1,745	1,432	3,323	3,023
Total operating expenses	20,897	18,811	38,342	36,161
Loss from operations	(13,580)	(9,473)	(22,960)	(19,579)
Other income (expense):				
Foreign currency transaction gains (losses)	(5)	2	(12)	4
Gain on sale of available-for-sale securities	188	—	188	—
Interest expense (note 6)	(357)	(512)	(602)	(804)
Loss before income taxes	(13,754)	(9,983)	(23,386)	(20,379)
Income tax benefit (note 7)	(5,276)	(3,872)	(8,981)	(7,905)
Net loss	$ (8,478)	$ (6,111)	$ (14,405)	$ (12,474)
Net loss per share of Class A and Class B common stock:				
Basic and diluted	$ (0.66)	$ (0.47)	$ (1.12)	$ (0.99)

See accompanying notes to condensed consolidated financial statements.

JTH HOLDING, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Comprehensive Loss
Three months and six months ended October 31, 2013 and 2012 (unaudited)
(In thousands)

	Three Months Ended October 31,		Six Months Ended October 31,	
	2013	2012	2013	2012
Net loss	$ (8,478)	$ (6,111)	$ (14,405)	$ (12,474)
Interest rate swap agreements, net of taxes of $-, $67, $-, and $95, respectively	—	110	—	155
Unrealized gain on equity securities available for sale, net of taxes of $397, $93, $540, and $93, respectively (note 3)	645	152	877	152
Reclassified gain on sale of available-for-sale securities included in income, net of taxes of $72, $-, $72, and $-, respectively (note 3)	(116)	—	(116)	—
Foreign currency translation adjustment	(176)	35	(316)	(193)
Comprehensive loss	$ (8,125)	$ (5,814)	$ (13,960)	$ (12,360)

See accompanying notes to condensed consolidated financial statements.

JTH HOLDING, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
Six months ended October 31, 2013 and 2012 (unaudited)
(In thousands)

	2013	2012
Cash flows from operating activities:		
Net loss	$ (14,405)	$ (12,474)
Adjustments to reconcile net loss to net cash used in operating activities:		
Provision for doubtful accounts	3,430	3,264
Depreciation, amortization and impairment charges	3,323	3,023
Amortization of deferred financing costs	167	139
Stock-based compensation expense related to equity classified awards	741	892
Stock-based compensation expense related to liability classified awards	(872)	—
Gain on bargain purchases and sales of company-owned offices	(518)	(226)
Equity in loss of affiliate	101	69
Deferred tax expense	2,598	3,770
Gain on sale of available-for-sale securities	(188)	—
Changes in assets and liabilities decreasing cash flows from operating activities	(22,258)	(26,098)
Net cash used in operating activities	(27,881)	(27,641)
Cash flows from investing activities:		
Issuance of operating loans to franchisees	(17,420)	(20,855)
Payments received on operating loans to franchisees	1,230	1,227
Purchases of area developer rights and company-owned offices	(4,436)	(2,352)
Proceeds from sale of company-owned offices and area developer rights	205	1,386
Purchase of marketable equity securities	—	(2,980)
Proceeds from sale of available-for-sale securities	456	—
Purchase of property and equipment	(5,463)	(5,673)
Net cash used in investing activities	(25,428)	(29,247)
Cash flows from financing activities:		
Proceeds from the exercise of stock options	2,998	1,592
Repurchase of common stock	(2,495)	(1,413)
Repayment of long-term debt	(2,418)	(1,894)
Borrowings under revolving credit facility	43,104	40,147
Repayments under revolving credit facility	(4,645)	(475)
Payment for debt issue costs	—	(8)
Tax benefit of stock option exercises	416	269
Net cash provided by financing activities	36,960	38,218
Effect of exchange rate changes on cash, net	(57)	(20)
Net decrease in cash and cash equivalents	(16,406)	(18,690)
Cash and cash equivalents at beginning of period	19,013	19,848
Cash and cash equivalents at end of period	$ 2,607	$ 1,158

See accompanying notes to condensed consolidated financial statements.

JTH HOLDING, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
Six months ended October 31, 2013 and 2012 (unaudited)
(In thousands)

	2013	2012
Supplemental disclosures of cash flow information:		
Cash paid for interest, net of capitalized interest	$ 455	$ 605
Cash paid for taxes, net of refunds	6,143	6,837
Supplemental disclosures of noncash investing and financing activities:		
During the six months ended October 31, 2013 and 2012, the Company acquired certain assets from franchisees and area developers as follows:		
Fair value of assets purchased	$ 10,770	$ 6,474
Receivables applied	(6,076)	(5,242)
Accounts payable canceled	3,187	1,902
Notes and accounts payable issued	(4,716)	(1,508)
Elimination of related deferred revenue	1,271	726
Cash paid to franchisees and area developers	$ 4,436	$ 2,352
During the six months ended October 31, 2013 and 2012, the Company sold certain assets to franchisees and area developers as follows:		
Book value of assets sold	$ 1,872	$ 2,855
Loss on sale	(39)	(113)
Deferred gain on sale	—	742
Notes received	(1,628)	(2,098)
Cash received from franchisees and area developers	$ 205	$ 1,386
Accrued capitalized software costs included in accounts payable	$ 224	$ 1,135

See accompanying notes to condensed consolidated financial statements.

JTH HOLDING, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

October 31, 2013 and 2012 (Unaudited)

(1) Organization and Significant Accounting Policies

(a) Organization

JTH Holding, Inc. (the Company), a Delaware corporation, is a holding company engaged through its subsidiaries as a franchisor and 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 for its customers' refund-based tax settlement financial products such as instant cash advances, electronic refund checks, and personal income tax refund discounting. The Company also offers online tax preparation services.

Unless specifically noted otherwise, as used throughout these condensed consolidated financial statements, the term "Company" or "Liberty" refers to the consolidated entities of JTH Holding, Inc.

(b) Principles of Consolidation and Unaudited Financial Statements

The condensed consolidated financial statements include the accounts of JTH Holding, 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. Transaction gains and losses are recognized when incurred. The Company also consolidates any variable interest entities of which it is the primary beneficiary. 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 significant 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 (US GAAP) for interim financial information. The condensed consolidated financial statements, including these notes, are unaudited and exclude some of the disclosures only required in annual financial statements. Consolidated balance sheet data as of April 30, 2013 was derived from the Company's April 30, 2013 Annual Report on Form 10-K.

In the opinion of management, all adjustments necessary for a fair presentation of such financial statements in accordance with US GAAP have been recorded. These adjustments consisted only of normal recurring items. The accompanying condensed consolidated financial statements should be read in conjunction with the Company's financial statements and notes thereto included in its April 30, 2013 Annual Report on Form 10-K.

(c) Office Count

The Company operated 4,520 total offices during the 2013 tax season. During the first six months of fiscal 2014 the Company sold 65 franchise territories and purchased 74 territories from franchisees, some of which may be resold and operated by other franchisees during the 2014 tax season or subsequent tax seasons or operated as company-owned stores. Because the Company continues to sell and purchase territories until the start of the 2014 tax season and cannot predict how many offices will operate in each territory, the Company is unable to determine at this time how many offices will be in operation during the 2014 tax season. The Company expects to be able to report this information for the quarter ended January 31, 2014 because all offices should be opened at that time.

(d) 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 US GAAP. Actual results could differ from those estimates.

(e) Foreign Operations

Canadian operations contributed $286,000 and $806,000 in revenues for the three and six months ended October 31, 2013, respectively and $291,000 and $775,000 in revenues for the three and six months ended October 31, 2012, respectively.

(f) Seasonality of Business

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.

(2) Notes and Accounts Receivable

The Company provides financing to franchisees for the purchase of franchises, clusters of territories, company-owned offices and/or for working capital and equipment needs. The franchise-related notes generally are payable over five years and the working capital and equipment notes generally are due within one year. All notes bear interest at 12%. Activity related to notes receivable for the six months ended October 31, 2013 and the fiscal year ended April 30, 2013 was as follows:

	October 31, 2013	April 30, 2013
	(In thousands)	
Balance at beginning of period	$ 89,340	$ 79,838
Notes received for:		
Sales of franchises and clusters of territories	2,898	6,770
Sales of certain assets to franchisees	1,628	15,130
Franchisee to franchisee note assumptions	3,889	11,259
Working capital and equipment loans to franchisees	17,420	75,642
Refinancing of accounts receivable	7,182	18,527
	33,017	127,328
Repayment of notes	(3,877)	(95,664)
Notes canceled	(10,052)	(21,981)
Foreign currency adjustment	(161)	(181)
Balance at end of period	108,267	89,340
Unrecognized revenue portion of notes receivable	(38,300)	(39,731)
Notes receivable less unrecognized revenue	$ 69,967	$ 49,609

Most of the notes receivable are due from the Company's franchisees and area developers (ADs) and are collateralized by the underlying franchise and are guaranteed by the respective franchisee or AD and franchise or AD owner(s). The franchisees' ability to repay the notes is dependent upon both the performance of the tax preparation industry as a whole and the individual franchisees' or ADs' areas.

The refinancing of accounts receivable results from a franchisee electing to deliver to the Company a promissory note for past-due royalties and advertising fees that have been previously recorded as accounts receivable in the condensed consolidated financial statements. Effective October 1, 2013, the Company reduced the interest rate on its past due accounts receivable to 12% and, therefore, has ceased its practice of refinancing accounts receivable into notes receivable. This is not expected to have a material effect on the Company's condensed consolidated financial statements.

Notes canceled are comprised of the cancellation of existing unpaid notes of selling franchisees in franchisee to franchisee sales that include the assumption of debt by the acquiring franchisee, and any unpaid notes receivable from a franchisee or AD related to specific territories or clusters of territories that the Company reacquires. In the latter transactions, the cancellation of notes is part of the consideration paid by the Company, and any excess of the consideration paid over the fair value of assets acquired is written off to the allowance for doubtful accounts.

Unrecognized revenue relates to the financed portion of franchise fees and area developer 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 recorded as note payments are received by the Company. Payments on area developer fee notes receivable generate a corresponding increase in deferred revenue, which is amortized into revenue over the life of the area developer contract, generally 10 years.

Management believes that the recorded allowance is adequate based upon its consideration of the estimated value of the franchises and ADs supporting the receivables. Any adverse change in the tax preparation industry or the individual franchisees' or ADs' areas could affect the Company's estimate of the allowance.

Notes and accounts receivable include royalties billed that relate to territories operated by franchisees located in AD territories. The Company has recorded amounts payable to area developers for their share of these receivables of $8,315,000 and $18,248,000 at October 31, 2013 and April 30, 2013, respectively.

Activity in the allowance for doubtful accounts for the six months ended October 31, 2013, and 2012 was as follows:

	2013	2012
	(In thousands)	
Beginning balance	$ 6,684	$ 5,290
Additions charged to expense	3,430	3,264
Write-offs	(4,028)	(2,680)
Foreign currency adjustment	(38)	(30)
Ending balance	$ 6,048	$ 5,844

Management considers accounts and notes receivable to be impaired if the amounts due exceed the fair value of the underlying franchise and estimates an allowance for doubtful accounts based on that excess. Amounts due include contractually obligated accounts and notes receivable less unrecognized revenue, reduced by the allowance for uncollected interest, amounts due ADs, the related deferred revenue and amounts owed to the franchisee by the Company. In establishing the fair value of the underlying franchise, management considers 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, 2013 and April 30, 2013 was allocated as follows:

	October 31, 2013	April 30, 2013
	(In thousands)	
Impaired:		
Notes receivable, including interest, and less unrecognized revenue	$ 8,478	$ 9,399
Accounts receivable	4,588	5,907
Less allowance for uncollected interest, amounts due ADs, related deferred revenue and amounts due franchisees	(2,017)	(2,336)
Net amount due	$ 11,049	$ 12,970
Allowance for doubtful accounts for impaired notes and accounts receivable	$ 5,255	$ 6,120
Nonimpaired:		
Notes receivable, including interest, and less unrecognized revenue	$ 66,195	$ 42,459
Accounts receivable	18,577	37,650
Less allowance for uncollected interest, amounts due ADs, related deferred revenue and amounts due franchisees	(11,574)	(19,992)
Net amount due	$ 73,198	$ 60,117
Allowance for doubtful accounts for non-impaired notes and accounts receivable	$ 793	$ 564
Total allowance for doubtful accounts	$ 6,048	$ 6,684

The aging of accounts and notes receivable at October 31, 2013 was as follows:

	Total Past Due	Allowance for Uncollected Interest	Current	Total Receivables
		(In thousands)		
Accounts receivable	$ 20,153	$ (2,416)	$ 3,012	$ 20,749
Notes receivable	8,124	(1,526)	66,549	73,147
Total	$ 28,277	$ (3,942)	$ 69,561	$ 93,896

Accounts receivable are considered to be past due if unpaid after 30 days and notes receivable are considered past due if unpaid after 90 days, at which time the notes are put on nonaccrual status.

The Company's average investment in impaired notes receivable during the six months ended October 31, 2013 and 2012 was $8,938,000 and $6,250,000, respectively. Interest income related to impaired notes was $161,000 and $362,000 for the three and six months ended October 31, 2013, respectively, and $107,000 and $245,000 for the three and six months ended October 31, 2012, respectively. The Company's investment in notes receivable on nonaccrual status at October 31, 2013 and April 30, 2013 was $6,598,000 and $8,375,000, respectively.

At October 31, 2013, the Company had unfunded lending commitments for working capital loans to franchisees and area developers of $13,308,000.

(3) Investments

During fiscal 2013, the Company purchased corporate equity securities, as a strategic investment in a business partner, for $2,980,000. At October 31, 2013, the fair value of the unsold portion of the investment was $4,606,000. The Company classifies this investment as available-for-sale and recognizes unrealized gain on the available-for sale-securities, net of tax, in accumulated other comprehensive income in the stockholders' equity section of the consolidated balance sheets. The unrealized gain, net of tax, on the available-for-sale securities at October 31, 2013 was $1,148,000.

Available-for-sale securities with a basis of $268,000 were sold during the three months ended October 13, 2013. A gain on the sale of $188,000 was recognized and reclassified out of accumulated other comprehensive income and recorded as other income.

(4) Goodwill and Intangible Assets

Changes in the carrying amount of goodwill for the six months ended October 31, 2013 are as follows:

	Goodwill	Accumulated impairment loss	Net
		(In thousands)	
Balance at April 30, 2013	$ 6,457	$ (772)	$ 5,685
Acquisitions of assets from franchisees	2,763	—	2,763
Disposals and foreign currency changes, net	(1,289)	125	(1,164)
Impairments	—	(90)	(90)
Balance at October 31, 2013	$ 7,931	$ (737)	$ 7,194

Components of intangible assets are as follows:

	Amortization period	As of October 31, 2013 Gross carrying amount	Accumulated amortization	Net carrying amount	As of April 30, 2013 Gross carrying amount	Accumulated amortization	Net carrying amount
		(In thousands)					
Amortizable other intangible assets:							
Acquired customer lists	7 years	$ 1,603	$ (427)	$ 1,176	$ 1,603	$ (171)	$ 1,432
Assets acquired from franchisees:							
Customer lists	4 years	2,576	(722)	1,854	1,834	(582)	1,252
Reacquired rights	2 years	2,203	(1,280)	923	1,640	(905)	735
Area developer rights	10 years	15,261	(2,898)	12,363	9,842	(2,340)	7,502
		$ 21,643	$ (5,327)	$ 16,316	$ 14,919	$ (3,998)	$ 10,921

During the six months ended October 31, 2013, the Company acquired the assets of various franchisees for $5,181,000. These acquisitions were accounted for as business combinations, with all value allocated to the identifiable intangible assets. The acquired businesses are operated as Company-owned offices until a buyer is found and a new franchise agreement is entered into.

The purchase price of assets acquired from franchisees was allocated as follows:

	Six Months Ended October 31, 2013	2012
	(In thousands)	
Customer lists and reacquired rights	$ 2,418	$ 1,797
Goodwill	2,763	2,353
Total	$ 5,181	$ 4,150

(5) Leases

The Company is obligated under various short-term operating leases for office space that expire at various dates. Total rent expense for operating leases, net of subleases, was $862,000 and $1,618,000 for the three and six months ended October 31, 2013, respectively, and $832,000 and $1,474,000 for the three and six months ended October 31, 2012, respectively.

(6) Debt

The Company has a credit facility that consists of a $25,000,000 term loan and a revolving credit facility that currently allows borrowing of up to $143,350,000 . Outstanding borrowings accrue interest at one-month London Inter-Bank Offered Rate (LIBOR) plus a margin ranging from 1.50% to 2.25% depending on the Company’s leverage ratio. At October 31, 2013, the interest rate was 1.80%, and the average interest rate paid was 1.91% during the six months ended October 31, 2013. The indebtedness is collateralized by substantially all the assets of the Company and both loans mature on April 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. The Company was in compliance with the financial covenants at October 31, 2013.

Debt at October 31, 2013 and April 30, 2013 consisted of the following:

	October 31, 2013	April 30, 2013
	(In thousands)	
Credit Facility:		
Revolver	$ 38,459	$ —
Term loan	22,813	23,750
	61,272	23,750
Other debt	6,659	3,933
	67,931	27,683
Less: current portion	(6,485)	(3,400)
Long-term debt	$ 61,446	$ 24,283

(7) 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.

(8) Stockholders' Equity

During the six months ended October 31, 2013 and 2012, activity in stockholders' equity was as follows:

	2013	2012
	(In thousands)	
Class A common shares issued from the exercise of stock options	200	151
Proceeds from exercise of stock options	$ 2,998	$ 1,592
Class A common shares repurchased	137	103
Payments for repurchased shares	$ 2,495	$ 1,413
Tax benefit of stock option exercises	$ 416	$ 269
Class A common shares issued upon conversion of Class A preferred shares	—	1,703

The components of accumulated other comprehensive income at October 31, 2013 and April 30, 2013 are a foreign currency translation adjustment of $491,000 and $807,000, respectively, and the unrealized gain on equity securities available for sale, net of taxes, of $ 1,148,000 and $387,000, respectively.

Net Loss per Share

Net loss per share of Class A and Class B common stock is computed using the two-class method. Basic net loss per share is computed by allocating undistributed earnings to common shares and participating securities (Class A preferred stock and exchangeable shares) and using the weighted-average number of common shares outstanding during the period. Undistributed losses are not allocated to these participating securities because they do not meet the required criteria for such allocation. During the six months ended October 31, 2012, two of the Company's major shareholders elected to convert 170,320 shares of the Class A preferred stock to 1,703,200 shares of Class A common stock.

Diluted net 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. The dilutive effect of outstanding stock options is reflected in diluted earnings per share by application of the treasury stock method. Additionally, the computation of the diluted net loss per share of Class A common stock assumes the conversion of Class B common stock, Class A preferred stock and exchangeable shares, 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, 2013 and 2012 was as follows:

	Three Months Ended October 31, 2013	
	Class A Common Stock	Class B Common Stock
	(in thousands, except for share and per share amounts)	
Basic and diluted net loss per share:		
Numerator		
Allocation of undistributed losses	$ (7,888)	$ (590)
Denominator		
Weighted-average common shares outstanding	12,026,060	900,000
Basic and diluted net loss per share	$ (0.66)	$ (0.66)

	Six Months Ended October 31, 2013	
	Class A Common Stock	Class B Common Stock
	(in thousands, except for share and per share amounts)	
Basic and diluted net loss per share:		
Numerator		
Allocation of undistributed losses	$ (13,401)	$ (1,004)
Denominator		
Weighted-average common shares outstanding	12,010,673	900,000
Basic and diluted net loss per share	$ (1.12)	$ (1.12)

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 2,247,000 and 2,375,000 shares for the three and six months ended October 31, 2013, respectively, because the effect would be antidilutive.

	Three Months Ended October 31, 2012	
	Class A Common Stock	Class B Common Stock
	(in thousands, except for share and per share amounts)	
Basic and diluted net loss per share:		
Numerator		
Allocation of undistributed losses	$ (5,689)	$ (422)
Denominator		
Weighted-average common shares outstanding	12,127,179	900,000
Basic and diluted net loss per share	$ (0.47)	$ (0.47)

	Six Months Ended October 31, 2012	
	Class A Common Stock	Class B Common Stock
	(in thousands, except for share and per share amounts)	
Basic and diluted net loss per share:		
Numerator		
Allocation of undistributed losses	$ (11,583)	$ (891)
Denominator		
Weighted-average common shares outstanding	11,701,417	900,000
Basic and diluted net loss per share	$ (0.99)	$ (0.99)

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 2,760,000 shares and 2,769,000 for the three and six months ended October 31, 2012, respectively, because the effect would be antidilutive.

(9) Stock Compensation Plans

(a) Stock Options

At October 31, 2013, 1,830,561 shares of Class A common stock are available for grant under the 2011 Equity and Cash Incentive Plan.

The following table summarizes the information for options granted during the six months ended October 31, 2013:

	2013
Weighted average fair value of options granted	$ 6.12
Dividend yield	0.0%
Expected volatility	34.15% - 36.99%
Expected terms	3.7 - 5.3
Risk-free interest rates	0.79% - 1.49%

The Company does not have enough public trading history to calculate volatility for the term of the granted options; it used a 50/50 weighted average volatility, equally weighing our public trading history and that of other public companies in the tax preparation industry.

Stock option activity during the six months ended October 31, 2013 was as follows:

	Number of options	Weighted average exercise price
Outstanding at April 30, 2013	2,534,683	$ 14.81
Granted	407,374	17.98
Exercised	(199,868)	15.00
Canceled	(234,061)	15.02
Outstanding at October 31, 2013	2,508,128	15.29

The Company granted 407,374 stock options to certain directors and employees in the six months ended October 31, 2013. Stock option generally vest from six months to five years from the date of grant and generally expire five years after the vesting date.

The total intrinsic value of options exercised during the six months ended October 31, 2013 was approximately $605,454.

Nonvested stock option (options that did not vest in the period in which granted) activity during the six months ended October 31, 2013 was as follows:

	Nonvested options	Weighted average exercise price
Outstanding at April 30, 2013	132,500	$ 15.00
Granted	407,374	17.98
Vested	(30,000)	15.00
Canceled	—	—
Outstanding at October 31, 2013	509,874	17.38

At October 31, 2013, unrecognized compensation costs related to nonvested stock options were $2,669,390. These costs are expected to be recognized between fiscal 2014 and fiscal 2016.

The following table summarizes information about stock options outstanding and exercisable at October 31, 2013:

Number of shares outstanding at October 31, 2013	Range of exercise prices	Weighted average exercise price	Weighted average remaining contractual life	Number of shares exercisable at October 31, 2013	Weighted average exercise price
117,500	$ 10.50	$ 10.50	1.3	117,500	$ 10.50
1,734,896	14.00-16.50	15.02	2.6	1,632,396	15.02
248,358	15.00	15.00	3.4	248,358	15.00
407,374	16.38 - 19.75	17.98	4.9	—	17.98
2,508,128		15.29		1,998,254	14.75

During the fiscal year ended April 30, 2013, the settlement of certain stock option transactions caused a change in the classification of certain outstanding stock options to a liability instrument from an equity instrument, which resulted in an increase in stock compensation expense of $2,625,000. At April 30, 2013, the value of the liability for the 997,824 options that changed classifications from an equity to a liability instrument was $5,111,000. On June 11, 2013 our board of directors voted to prohibit those types of transactions, and the Company therefore reclassified the stock options back to an equity instrument, resulting in a reduction to stock compensation expense of $872,000. The liability was removed and the remainder was reclassified to additional paid-in capital.

(b) Restricted Stock Units

During the six months ended October 31, 2013, the Company awarded restricted stock units (RSUs) to its non-employee directors and certain employees. The weighted average fair value at grant date was $16.86 and the weighted average service period is 19 months. Compensation costs associated with these restricted shares are amortized over the service period and recognized as an increase in additional paid-in capital.

Restricted stock activity during the six months ended October 31, 2013 was as follows:

	Number of RSUs	Weighted average fair value at grant date
Outstanding at April 30, 2013	15,971	$ 13.50
Granted	23,565	16.86
Exercised	—	—
Canceled	—	—
Outstanding at October 31, 2013	39,536	15.50

At October 31, 2013, unrecognized compensation costs related to restricted stock units were $319,195. These costs are expected to be recognized during fiscal 2014 and fiscal 2015.

(10) Fair Value of Financial Instruments

The Company uses the following methods and assumptions to estimate the fair value of financial instruments.

Cash equivalents, receivables, other current assets, accounts payable and accrued expenses, and due to area developers: The carrying amounts approximate fair value because of the short maturity of these instruments. At October 31, 2013 and April 30, 2013 the Company had cash equivalents of:

	October 31, 2013	April 30, 2013
	(In thousands)	
Money market account	$ —	$ 16,798

Notes receivable: The carrying amount of the Company's notes receivable approximates fair value based upon the present value of expected future cash flows discounted at the interest rate currently offered by the Company, which approximates rates currently offered by local lending institutions for loans of similar terms to individuals/entities with comparable credit risk.

Nonfinancial assets and liabilities: The fair value of customer lists is measured on a nonrecurring basis in the period that the Company deemed the assets impaired. Fair value is determined based on historical transactions involving sales of Company-owned offices.

Long-term debt: The carrying amount of the Company's long-term debt approximates fair value based on the present value of expected future cash flows discounted at the interest rates offered by the lenders, which approximates rates currently offered by local lending institutions for loans of similar terms to companies with comparable credit risk.

Concentrations of credit risks: Financial instruments that could potentially subject the Company to concentrations of credit risks consist of accounts and notes receivable with its franchisees.

The Company maintains its cash and cash equivalents in bank deposit accounts, which at times may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on its cash and cash equivalents balances.

The Company manages such risk by evaluating the financial position of the franchisee, value of the franchises, as well as the personal guarantee of the individual franchisees. At October 31, 2013 and April 30, 2013, there were no significant concentrations of credit risk associated with any individual franchisee or group of franchisees. The Company maintains an allowance for potential losses based on its expected collectability of the receivables, which the Company believes is adequate for its credit loss exposure.

The condensed consolidated financial statements include various estimated fair value information at October 31, 2013 and April 30, 2013.

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.

- 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.

At October 31, 2013 and April 30, 2013, the following tables present, 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, 2013		
		Fair value measurements using		
	Total	Level 1	Level 2	Level 3
Assets:				
Recurring:				
Equity securities, available for sale	$ 4,606	$ 4,606	$ —	$ —
Nonrecurring:				
Impaired accounts and notes receivable	6,624	—	—	6,624
Total recurring and nonrecurring assets	$ 11,230	$ 4,606	$ —	$ 6,624

		April 30, 2013		
		Fair value measurements using		
	Total	Level 1	Level 2	Level 3
Assets:				
Recurring:				
Cash equivalents	$ 16,798	$ 16,798	$ —	$ —
Equity securities, available for sale	3,619	3,619	—	—
Total recurring assets	20,417	20,417	—	—
Nonrecurring:				
Impaired accounts and notes receivable	7,973	—	—	7,973
Impaired goodwill	1,254	—	—	1,254
Impaired reacquired rights	286	—	—	286
Impaired customer lists	453	—	—	453
Total nonrecurring assets	9,966	—	—	9,966
Total recurring and nonrecurring assets	$ 30,383	$ 20,417	$ —	$ 9,966
Liabilities:				
Recurring:				
Liability classified share-based instrument	$ 5,111	$ —	$ 5,111	$ —

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 the six months ended October 31, 2013.

Fair values for equity securities available for sale are based on published market prices. Equity securities available for sale are carried at their aggregate fair value.

Management considers accounts and notes receivable to be impaired if the amount due exceeds the fair value of the underlying franchise. In establishing the estimated fair value of the underlying franchise, consideration is given to the net fees of open offices earned during the most recently completed tax season and the number of unopened offices.

Management considers intangible assets, reacquired rights, customer lists and goodwill, associated with a company-owned office to be impaired if the net carrying amount exceeds the fair value of the underlying franchise. In establishing the fair value of the underlying franchise, consideration is given to historical transactions involving sales of company-owned offices and the net fees of the underlying franchise.

(11) Related Party Transactions

The Company considers directors and their affiliated companies, executive officers of the Company, and members of their immediate family to be related parties. For the six months ended October 31, 2013 and 2012, the Company repurchased common stock from related parties as follows (all repurchases were in conjunction with the exercise of stock options):

	2013	2012
Common stock repurchases:		
Shares repurchased	122,249	20,000
Amount	$ 2,232,183	$ 301,000

(12) Commitments and Contingencies

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, since the initial filings. 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 an electronic refund check (ERC) represents a form of refund anticipation loan (RAL) because the taxpayer is "loaned" the tax preparation fee, and that an ERC is therefore subject to federal truth-in-lending disclosure and state law requirements regulating RALs. The plaintiffs therefore allege 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 million, but the Company may be able to recover any damages from the providers of the financial products that designed the programs and related disclosures. The Company is aware that virtually identical lawsuits have been filed against several of its competitors. The Company has not concluded that a loss related to this matter is probable, nor has the Company accrued a loss contingency related to this matter. The Company believes it has meritorious defenses to the claims in this case, and intends to defend the case vigorously, but there can be no assurances as to the outcome or the impact on the Company's consolidated financial position, results of operations and cash flows. The case is at an early procedural stage.

Republic Bank Dispute. In August 2012, the Company terminated an agreement with one of its financial product providers, Republic Bank & Trust Company ("Republic"), which would otherwise have expired in October 2014. The Company's right to terminate the agreement is being disputed by Republic. The parties conducted a contractually-required mediation in late June 2013 and Republic has indicated that it may proceed to arbitration. At this stage, an arbitration proceeding has not been commenced, but the Company believes that the outcome of this dispute will not significantly impact its results of operation, financial position or cash flows.

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, the Company 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 cash flows.

(13) Subsequent Events

On November 11, 2013, the Company granted 45,000 options to an employee of the Company. The exercise price of the options will be $20.19 per share. The options, which have a fair value of $6.87 per share, will vest over three years and expire five years from the date of vesting.

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 and 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 and projections about our business and the industry in which we operate and our management's beliefs and assumptions and 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, 2013 and risks described in all other filings with the Securities and Exchange Commission, including:

- our possible inability to sustain growth at our historical pace;
- the seasonality of our business;
- our inability to secure reliable sources of the tax settlement products we make available to our customers;
- the continued service of our senior management team and our ability to attract additional talent;
- government regulation and oversight, including the regulation of our tax settlement products such as electronic refund checks ("ERCs") 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;
- increased regulation of the products and services that we offer;
- the possible characterization of ERCs 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 regulatory requirements;
- changes in our franchise sale model that may reduce our revenue;
- 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 an increasing number of company-owned offices and tax kiosks;
- our exposure to litigation;
- our ability and our franchisees' ability to protect customers' personal information, including from a cyber-security incident;

- an 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;
- competition in the tax preparation market;
- our reliance on technology systems, including the deployment of our NextGen project and electronic communications;
- our ability to deploy our NextGen software in time for the 2014 tax season;
- the impact of any acquisitions or dispositions, including our ability to integrate acquisitions and capitalize on their anticipated synergies;
- potential shareholder litigation as a result of the restatement of our previously issued consolidated financial statements;
- risks relating to our management's determination that there was a material weakness in our internal control over financial reporting, and as a result that our disclosure controls and procedures were not effective during periods at and prior to October 31, 2013; and
- other factors, including the risk factors discussed in this quarterly report.

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, or 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 are the third largest and fastest growing national retail preparer of individual tax returns in the United States and the second largest retail preparer of individual tax returns in Canada. From 2001 through 2013, we have grown the number of U.S. tax returns prepared in our offices from approximately 137,000 to 1.8 million. 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 brand.

From 2001 through 2013, we grew our number of tax offices from 508 to more than 4,500. We and our franchisees operated 4,262 offices in the United States during the 2013 tax season, an 8.7% increase over the 2012 tax season, when we operated 3,920 offices, which was itself a 9.2% increase over the number of offices operated in the 2011 tax season. Approximately 61% of our revenue for fiscal year 2013 was derived from franchise fees, area developer fees, royalties and advertising fees, and for this reason, continued growth in and seasoning of our franchise locations is viewed by management as the key to our future performance.

Our revenue primarily consists of the following components:

- Franchise Fees: Our standard franchise fee per territory is currently $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. However, in 2011 we introduced a franchise fee option that forgoes the initial franchise fee payment in favor of a higher royalty rate.

  The franchise fee revenue we report includes the portion of franchise fees received by us from franchisees but contractually due to area developers. The amount of franchise fees due to area developers is recorded as an expense.

  As described below, because the restatement of our financial statements prevented us from filing our Annual Report on Form 10-K for the fiscal year ended April 30, 2013 on a timely basis, we were unable to sell franchises for a portion of the quarter ended October 31, 2013. This inability to sell franchises will not only affect our franchise fee revenue for the fiscal second and third quarters of fiscal 2014, but because as a consequence fewer franchised tax offices will be open during the 2014 tax season, will also affect the advertising fees and royalties we receive in the upcoming tax season.

- Area Developer 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 both the franchise fees and royalties derived from territories located in their area. Area development fees received are recognized as revenue on a straight-line basis over the initial contract term of each Area Developer agreement with the cumulative amount of revenue recognized not to exceed the amount of cash received.

  We amortize our revenue from area developer sales over the length of our area developer agreements, which are typically ten years. For this reason, significant year-to-year trends in our area development sales activity are apparent from our comparative financial results only to the extent that the most recent year is so anomalous as to result in a significant variation in recognized area developer revenue. We will identify trends in these sales even where they do not represent a material year-to-year difference for purposes of area developer revenue recognition.

  As described below, we experienced a decrease in area developer fees received during our fiscal 2014 second quarter because of our inability to sell franchises (including area developer territories) during that quarter.

  We do expect new area developer sales to become a less significant source of new revenue as we continue to build out our franchise network and have less need to utilize ADs to support that effort.

- Advertising Fees: We earn advertising fee revenue from our franchisees. 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.

- Royalties: We earn royalty revenue from our franchisees. Our franchise agreement requires franchisees to pay us a base royalty equal to 14% of the franchisee's tax preparation revenue, subject to certain specified minimums. Franchisees acquiring territories under our "zero franchise fee" alternative are required to pay us franchise royalties of 25% through their first five tax seasons, and thereafter 14% of their tax preparation revenue. Over time, as our offices continue to "season," we expect that our growth in revenue from royalties will continue to outpace our growth in revenue from franchise fees. We also expect to see steadier growth from our royalty revenue, but our franchise fee revenue may decrease if franchisees choose our "zero franchise fee" alternative.

  Our reported royalties and advertising fees include the portion of royalties that is paid to us by franchisees but that is contractually due to ADs under our area developer agreements. The amount of royalties due to area developers is recorded as an expense.

- Financial Products: We offer two types of tax settlement financial products: "refund transfer" products, such as ERCs, which involve providing a means by which a customer may receive his or her refund more quickly and conveniently, and other tax settlement products, such as ICA refund-based loans. We earn fees from the use 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.

- Tax Preparation Fees: We also earn tax preparation revenue directly from both the operation of company-owned offices and the provision of tax preparation services through our eSmartTax online product.

The Company restated prior financial statements earlier in fiscal 2014. We currently estimate that the direct costs associated with the restatement will be approximately $850,000. We incurred and recognized the majority of these costs during the six months ended October 31, 2013. The restatement and the related delay in filing our Annual Report on Form 10-K for the year ended April 30 2013 caused our Franchise Disclosure Document to expire, resulting in an inability to sell franchises and area developer territories for several weeks during the fiscal 2014 second quarter that is the subject of this quarterly report.

For purposes of this section and throughout this quarterly report, all references to “fiscal 2014” and “fiscal 2013” refer to our fiscal years ended April 30, 2014 and 2013, 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, 2013 and 2012.

	Three Months Ended October 31,				Six Months Ended October 31,			
			Change				Change	
	2013	2012	$	%	2013	2012	$	%
	(dollars in thousands)							
Results of Operations								
Total revenues	$ 7,317	$ 9,338	$ (2,021)	(22)%	$ 15,382	$ 16,582	$ (1,200)	(7)%
Loss from operations	(13,580)	(9,473)	(4,107)	(43)%	(22,960)	(19,579)	(3,381)	(17)%
Net loss	(8,478)	(6,111)	(2,367)	(39)%	(14,405)	(12,474)	(1,931)	(15)%

Revenues. The table below sets forth the components and changes in our revenues for the three and six months ended October 31, 2013 and 2012.

	Three Months Ended October 31,				Six Months Ended October 31,			
			Change				Change	
	2013	2012	$	%	2013	2012	$	%
	(dollars in thousands)							
Franchise fees	$ 886	$ 2,138	$ (1,252)	(59)%	$ 1,925	$ 2,805	$ (880)	(31)%
Area developer fees	1,880	2,079	(199)	(10)%	3,683	4,001	(318)	(8)%
Royalties	900	792	108	14 %	2,003	1,798	205	11 %
Advertising fees	280	257	23	9 %	626	575	51	9 %
Financial products	169	169	—	— %	618	471	147	31 %
Interest income	2,200	2,651	(451)	(17)%	4,434	5,199	(765)	(15)%
Tax preparation fees, net of discounts	242	225	17	8 %	628	441	187	42 %
Other revenue	760	1,027	(267)	(26)%	1,465	1,292	173	13 %
Total revenues	$ 7,317	$ 9,338	$ (2,021)	(22)%	$ 15,382	$ 16,582	$ (1,200)	(7)%

Total revenues decreased by $2.0 million and $1.2 million in the three and six months ended October 31, 2013, representing a 22% and 7% decrease, respectively. The largest components of the decrease were:

- A 59% and 31% decrease, respectively, in franchise fees due to a decrease in the number of franchise sales because we were unable to sell franchises for a significant portion of August 2013 and September 2013. These months are typically peak franchise sales months.
- A 10% and 8% decrease, respectively, in area developer fees due primarily to lower cash payments on AD loans, which limits our ability to record revenue related to area developer fees.
- A 17% and 15% decrease, respectively, in interest income, reflecting lower interest payments on AD loans because of reduced franchise sales that impact the cash received from ADs to pay interest.
- A 26% decrease in other revenue for the three months ended October 31, 2013 due to a decrease in commission fees paid by our ADs for selling franchises in their areas and a decrease in transfer fees paid by franchisees who sell their franchises to other franchisees. Both of these declines may be attributed to our inability to sell franchises for a significant portion of the quarter.

Operating expenses. The table below details the amounts and changes in our operating expenses for the three and six months ended October 31, 2013 and 2012.

	Three Months Ended October 31,				Six Months Ended October 31,			
			Change				Change	
	2013	2012	$	%	2013	2012	$	%
	(dollars in thousands)							
Employee compensation and benefits	$ 8,196	$ 7,615	$ 581	8 %	$ 14,285	$ 14,281	$ 4	— %
General and administrative expenses	7,744	6,110	1,634	27 %	14,010	11,926	2,084	17 %
Area developer expense	705	1,115	(410)	(37)%	1,533	1,832	(299)	(16)%
Advertising expense	2,507	2,539	(32)	(1)%	5,191	5,099	92	2 %
Depreciation, amortization and impairment charges	1,745	1,432	313	22 %	3,323	3,023	300	10 %
Total operating expenses	$ 20,897	$ 18,811	$ 2,086	11 %	$ 38,342	$ 36,161	$ 2,181	6 %

Our total operating expenses increased by $2.1 million and $2.2 million in the three and six months ended October 31, 2013, compared to the same period in fiscal 2013, representing an 11% and 6% increase, respectively. The largest components of these increases were:

- A 27% and 17% increase, respectively, in general and administrative expenses caused primarily by the following:
  - Non-recurring expenses of $693,000 and $792,000, respectively, related to the restatement of our prior financial statements.
  - A $257,000 and $511,000 increase, respectively, in computer supply and software expense related to the use of electronic signatures for customer documents.
  - A $306,000 increase for the six months ended October 31, 2013 in rent and utilities expense because of an increase in the number of company-owned offices.

- An 8% increase in employee compensation and benefits for the three months ended October 31, 2013 primarily related to the accrual of a severance obligation and the acceleration of related stock compensation of $614,000 to a former executive officer.

- A 22% and 10% increase, respectively, in depreciation, amortization and impairment charges due to the additional amortization expense related to the purchase of an online tax preparation software provider in December 2012 and because we purchased more territories from franchisees during the fiscal 2014 periods than we did during the same periods of fiscal 2013.

The increases in general and administrative expense, depreciation, amortization and impairment charges, and employee compensation and benefits were partially offset by a 37% and 16% decrease, respectively, in area developer expense because of the decline in the ADs portion of franchise fee revenue, which declined because of our decrease in franchise sales revenue described above.

Other income (expense). Available-for-sale securities with a cost basis of $268,000 were sold during the six months ended October 13, 2013. A gain on the sale of $188,000 was recognized and recorded as a component of other income. There were no other material changes in other income between the first six months and second quarter of fiscal 2014 and the same periods of fiscal 2013.

We recorded income tax benefits in the first three and six months of fiscal 2014 and 2013 with effective rates of 38.4% and 38.8%, respectively. Due to the seasonal nature of our business, we expect the losses we incur through the first three quarters of a fiscal year will be more than offset by the results of our fiscal fourth quarter.

Net loss. For the first six months of fiscal 2014, as compared to fiscal 2013, our net loss increased by 15%, reflecting a 7% reduction in revenues and a 6% increase in operating expenses. For the second quarter of fiscal 2014, as compared to fiscal 2013, our net loss increased by 39%, reflecting a 22% reduction in revenues and an 11% increase in operating expenses.

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 early February through April 30. Following each tax season, from May 1 through early February of the following year, we rely significantly on excess operating cash flow from the previous season, on cash payments made by franchisees and ADs who purchase new territories and areas prior to the next tax season and make cash payments in connection with those purchases, 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 NextGen project.

Credit facility. Our credit facility consists of a $25 million term loan and a revolving credit facility. The term loan amortizes on a quarterly basis and matures on April 30, 2017; the revolving loan also expires on that date. In December 2012, the Company utilized the accordion feature of the revolving loan, increasing the maximum borrowings under that portion of our credit facility by $38.4 million to $143.4 million. The outstanding borrowings on both loans accrue interest at an adjusted one month LIBOR rate plus a margin that varies from 1.50% to 2.25% (an increase of 25 basis points from our previous revolving credit facility), depending on our leverage ratio. The interest rate was 1.80% and 1.95% at October 31, 2013 and April 30, 2014, respectively. This indebtedness is collateralized by substantially all of our assets, including the assets of our subsidiaries.

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 continuing control of us by our CEO, John Hewitt, 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 may 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, 2013; however, the accounting policy changes that resulted in the restatements of our financial statements resulted in our inability to satisfy several credit facility covenants related to the delivery and accuracy of our financial reports. The Company obtained a waiver of these failures from our bank syndicate in August 2013. At October 31, 2013, our leverage ratio was 1.76:1 and our fixed charge coverage ratio was 3.81:1.

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, 2013, our total balance of loans to franchises and ADs for working capital and equipment loans, representing cash amounts we had advanced to the franchisees and ADs, was $28.7 million. In addition, at that date, our franchisees and ADs together owed us an additional $65.2 million, net of unrecognized revenue of $38.3 million for unpaid amounts owed to us, typically representing the unpaid purchase price of areas comprising clusters of territories, and other amounts owed to us for royalties and other unpaid 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 effectively offset in part by our related payable obligation to ADs with respect to franchise fees and royalties. As of October 31, 2013, the total indebtedness of franchisees to us where the franchisee is located in an AD area was $56.9 million, but $ 8.3 million of that indebtedness represents amounts ultimately payable to ADs as their share of franchise fees and royalties.

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 net proceeds of the tax preparation and other fees they have charged to their customers on tax returns associated with financial products. Therefore, we are able to minimize the nonpayment risk associated with amounts outstanding to 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 franchisee 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 are guaranteed by the respective franchisee or AD and the related owner(s). 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, 2013, we had an investment in impaired accounts and notes receivable and related interest receivable of approximately $11.0 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 deferred 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, 2013, we have recorded an allowance for doubtful accounts for impaired accounts and notes receivable of $5.3 million. There were no significant concentrations of credit risk with any individual franchisee or AD as of October 31, 2013; we believe our allowance for doubtful accounts as of October 31, 2013 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 have never declared or paid a cash dividend on our capital stock. Although we may 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 the 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.

Sources and uses of cash

Operating activities. In the first six months of fiscal 2014, we used $240,000 more cash for our operating activities compared to the first six months of fiscal 2013. Some of the items that contributed to the increase in our negative operating cash flow for the first six months of fiscal 2014 compared to the prior year include:

- Higher general and administrative payments of $2.3 million in the first six months of fiscal 2014, as compared to fiscal 2013, because we incurred more costs to support an increase in company-owned offices and franchisees, as compared to the prior year, as well as the timing of payables.

- Higher payments of $1.7 million to ADs for their portion of 2013 tax season royalties received in fiscal 2014 because the delay in the IRS' commencement of the tax filing season and the related delay in our franchisees' receipt of revenue pushed more royalty payments to us into fiscal 2014, which did not happen in fiscal 2013.

- Lower cash receipts of $1.2 million for interest income and financial products, reflecting fewer interest payments on AD loans and the timing of receipts related to financial products.

These decreases in cash utilization were partially offset by:

- Higher royalty and advertising fee receipts offset by lower franchise fee and AD fee receipts for a net increase of $2.2 million. The receipts were higher in fiscal 2014 because the delay in the IRS' commencement of the tax filing season and the related delay in our franchisees' receipt of revenue pushed more royalty and advertising payments to us into fiscal 2014, which did not happen in fiscal 2013.

- Lower payments of $2.2 million for financial product rebates to franchisees paid during fiscal 2014, as compared to the previous year. We paid the rebate for the 2012 tax season in the first quarter of fiscal 2013, but did not provide our franchisees the rebate for the 2013 tax season.

Investing activities. In the first six months of fiscal 2014, we utilized $3.8 million less in cash for investing activities compared to the same period in fiscal 2013. Some of the items that contributed to the decrease in our negative investing cash flow for the first six months of fiscal 2014 compared to the prior year include:

- A decrease of $3.4 million in the issuance of operating loans to our franchisees (including ADs), net of payments received on operating loans. Because some IRS payments that resulted in revenue to our franchisees were delayed into the first quarter of fiscal 2014, some franchisees did not seek operating loans as early as they did in fiscal 2013.

- A decrease related to the purchase of $3.0 million in marketable equity securities that ocurred in fiscal 2013, but did not recur in 2014.

The decrease in the issuance of operating loans and purchase of marketable equity securities was partially offset by:

- An increase of $2.1 million in purchases of AD rights and company-owned offices, which was due to AD purchases that occurred in the first six months of fiscal 2014 over those that occurred in the same period of fiscal 2013.

- A decrease of $1.2 million in proceeds from the sale of Company-owned offices and area developer rights because we did not have significant sales of AD rights in fiscal 2014.

Financing activities. In the first six months of fiscal 2014, we generated $1.3 million less cash from financing activities compared to the same period of fiscal 2013, predominantly because our net repayments under our revolving credit facility increased $1.2 million because we required less cash for investing activities.

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, 2013, using the leverage ratio applicable under our loan covenants at the end of that quarter, we had available borrowing capacity of $47.9 million. Under our credit facility, our leverage ratio requirement at the end of each fiscal quarter is 3:1, except at January 31, when it increases to 4:1.

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. We satisfied this requirement for fiscal 2014 during the quarter ended July 31, 2013, and so that requirement will next be required to be satisfied during fiscal 2015.

We believe several factors will affect our cash flow in future periods, including the following:

- The extent to which we extend additional financing to our franchisees and ADs, beyond the levels of prior periods,

- The extent to which we finance any tax settlement products offered by JTH Financial in the future,

- The extent and timing of our expenditures related to our NextGen project. Our NextGen project is an integral part of our determination to deliver an improved level of service to our franchisees. In addition to integrating our online and retail-based tax preparation software, we expect the NextGen project, when fully deployed, to improve the ability of our franchisees to comply with financial information protection requirements by moving most tax preparation information to a secure centralized platform, and to provide web-based support services in a way that will be both more accessible to our franchisees and their employees and less expensive for us to provide,

- The cash flow effect of selling franchises under our program allowing franchisees to purchase additional territories without making any cash down payment,

- The offsetting impact of the higher royalty rates we receive from franchisees who elect to purchase territories under the zero franchise fee payment plan,
- 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 in order to allow us to receive a full stream of royalties from the franchisees in the AD areas in future periods, and
- The extent, if any, to which our Board of Directors elects 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, 2017, imposes several restrictive covenants, consistent with the covenants that applied under the revolving credit facility it replaced. The credit facility contains a covenant that requires us to maintain a "leverage ratio" of not more than 4:1 at the end of the fiscal quarter ending January 31, and a 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, 2013, our leverage ratio was 1.76:1. Using the 3:1 test, our available borrowing capacity under the revolving credit facility at October 31, 2013 was $47.9 million. The leverage ratio is measured only at the end of each fiscal quarter, and so there may be times at which we exceed the quarter-end leverage ratio during the quarter, which we are permitted to do provided that our leverage ratio is within the allowable ratio at quarter-end.

We are additionally obligated 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, 2013, our fixed charge coverage ratio was 3.81:1.

We were in compliance with our financial covenants as of October 31, 2013; however, the accounting policy changes that resulted in the restatements of our financial statements resulted in our inability to satisfy several credit facility covenants for which we obtained a waiver in August 2013. We expect to be able to manage our cash flow and our operating activities in such a manner that we will be able to satisfy our obligations under the revolving 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, because of the addition of a term loan into our credit facility, we do not believe that this requirement will affect our cash flow or future performance.

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. In fiscal 2013 we earned 26% and of our revenues during our fiscal third quarter ending January 31, and earned 89% of our revenues during the combined fiscal third and fourth quarters. 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 that allow us to manage fluctuations in cash flow resulting from changes in the interest rate on our credit facility. These swaps effectively change the variable-rate of our credit facility into a fixed rate credit facility. Under the swaps, we receive a variable interest rate based on the one month LIBOR and pay a fixed interest rate. Our interest rate swap agreements expired in March 2013 and we were not a party to an interest rate swap agreement at October 31, 2013. 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, 2013, we had not entered into any forward contracts, but we expect to enter into forward contracts during the upcoming 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, 2013 in our Annual Report on Form 10-K.

ITEM 4
CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer (CEO) and Chief Financial Officer (CFO), evaluated the effectiveness of our disclosure controls and procedures as defined under Exchange Act Rule 13a-15(e) and 15d-15(e). Based on the evaluation of our disclosure controls and procedures and because the material weakness in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act), described in *Management's Report on Internal Control over Financial Reporting* in Item 9A of our Annual Report on Form 10-K for the year ended April 30, 2013, has not yet been remediated, our CEO and CFO have concluded that as of the end of the period covered by this Quarterly Report on Form 10-Q our disclosure controls and procedures were not effective to provide reasonable assurance that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission and is accumulated and communicated to management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

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. However, as described in *Plan for Remediation of Material Weakness* on Form 10-K for the year ended April 30, 2013, we are dedicating resources to support our efforts to improve the control environment and to remedy the material weakness noted above.

PART II

ITEM 1
LEGAL PROCEEDINGS

There have been no material developments with respect to the legal proceedings reported in our Annual Report on Form 10-K for the year ended April 30, 2013 since the date of that report.

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, 2013.

ITEM 2
UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

There were no issuances of our Class A Common Stock during the quarter ended October 31, 2013.

PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

Stock repurchase activity during the three months ended October 31, 2013 was as follows:

Period	Total Number of Shares Purchased(1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan	Maximum Value of Shares that may Be Purchased Under the Plan(2)
August 1 through August 31, 2013	—	$ —	—	$ 1,830,561
September 1 through September 30, 2013	—	—	—	1,830,561
October 1 through October 31, 2013	85,948	18.99	85,948	1,830,561
Total	85,948	18.99	85,948	

(1) During the three months ended October 31, 2013, all share repurchases were associated with the exercise of stock options.
(2) On August 29, 2012 we announced that our Board of Directors approved a $5 million authorization for share repurchases, and did not specify an expiration date for that share repurchase program. The repurchases include deemed repurchases from shareholders exercising options on a net basis. Share repurchases associated with stock option exercises do not reduce the maximum value of shares that may be purchased under the plan.

ITEM 6
EXHIBITS

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

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference
10.1	Employment agreement for Christopher Carroll	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.

JTH HOLDING INC.
(Registrant)

Dated: December 13, 2013	By:	/s/ John T. Hewitt John T. Hewitt Chief Executive Officer and Chairman of the Board (Principal Executive Officer)
Dated: December 13, 2013	By:	/s/ Mark F. Baumgartner Mark F. Baumgartner Chief Financial Officer (Principal Financial Officer)

EXHIBIT INDEX

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Exhibit 10.1

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (this "Agreement") is entered into effective as of the 16th day of October, 2013 by and between JTH Holding, Inc., a Delaware corporation (the " Holding Company"), JTH Tax Inc, a Delaware corporation ("JTH Tax") and Subsidiary of the Holding Company and Christopher Carroll (" Executive"). JTH Holding Inc. together with its Subsidiaries (including JTH Tax), shall be referred to in this Agreement as the "Company."

W1TNESSETH:

WHEREAS, the Company desires to employ and secure the exclusive 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 October 16, 2015. 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 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 Sales and Marketing of the Company and shall be responsible for managing the Company's franchise sales, area development sales and marketing functions and such other related duties and responsibilities as are customarily assigned to individuals serving in that position. 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 his skill, knowledge, commercial efforts and business time as the Board of Directors of the Holding Company ("Board") shall reasonably require for the conscientious and good faith performance of his duties and responsibilities to the best of his ability.

(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 his 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.

3. Base Salary.

During the Employment Period, the Company shall pay Executive a base salary at an annualized rate of $250,000, 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, 2014) 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."

1. Annual Incentive Compensation/Bonus. The Company has established an annual incentive bonus program (the "Bonus"). For the duration of this Agreement, 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 (except as provided in the following sentence), and the time and form of payment of bonuses, will be determined and approved by the Compensation Committee of the Board. For the partial remaining fiscal year of the Company ending April 30, 2014, Executive shall be eligible for a pro-rated Bonus, the maximum amount of which (before pro-ration) shall be equal to forty percent (40%) of the Base Salary. For all fiscal years of the Company beginning on or after May 1, 2014, Executive's eligibility for the Bonus shall be determined on a basis consistent with the named executive officers of the Company (as defined under the Securities Exchange Act of 1934).

2. Employee Benefits.

(d) 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 named 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. To the extent the Company's medical and/or dental insurance plans require Executive to satisfy a waiting period before becoming eligible to participate in those plans, the Company shall reimburse Executive for the difference between the amounts payable by Executive to maintain coverage under COBRA, until the date of eligibility for the Company's plans, under any existing medical or dental insurance plan in which Executive now participates, subject to Executive remaining responsible to pay the amount that would have represented Executive's contribution toward participation in the Company's plans had he been immediately eligible to participate in those plans. Upon execution of this Agreement and the satisfaction of any applicable waiting period, Executive shall be eligible 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.

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

(c) Smart Phone. During the Employment Period, the Company shall provide Executive with a smart phone for his or her use, as well as pay for business-related usage fees. 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 him in connection with the performance of his 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) Relocation Expenses. The Company will reimburse Executive for reasonable cost of his relocation to the Virginia Beach, Virginia area, in the amount of $15,000.

(f) 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 Company and Executive acknowledge that, effective as of the first date of Executive's employment, the Executive has been granted options to purchase a total of 45,000 shares of the Company's Class A Common Stock, subject to vesting and other terms to be further defined in applicable stock option agreements.

3. 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.

4. 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 his 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 that ensure that the compensation and benefits expectations of the Executive will be satisfied and that are competitive with those of other corporations, subject to the requirements and restrictions set forth in Section 8. The Compensation Committee of the Board has approved this Section 7 of the Agreement and authorized its inclusion in this Agreement on the Company's behalf.

(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 his or 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 Virginia Beach, Virginia; or

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

(ii) Without Good Reason. Executive may terminate his or 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 his 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 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 his Disability. For the purposes of this Agreement, "Disability" shall mean a physical or mental disability that prevents Executive from performing his essential job functions as Vice President of Sales and Marketing 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 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 (i) twelve (12) if the Date of Termination is on or prior to October 16, 2018, or (ii) eighteen (18) if the Date of Termination is after October 16, 2018.

(C) the portion of the Bonus for the fiscal year of the Company (ending on April 30) during which Executive was employed that includes the Date of Termination, that portion to equal 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.

(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, they shall immediately become fully (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, dental, life insurance and disability policies or arrangements with respect to Executive and any of his dependents who were covered under those Company plans on the day prior to the Date of Termination for a period of (i) twelve (12) months following the Date of Termination if the Date of Termination is on or prior to October 16, 2018, or (ii) eighteen (18) months following the Date of Termination if the Date of Termination is after October 16, 2018; 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.

The amount payable pursuant to (B) above shall be payable in (i) two equal installments on the six-month and one year anniversaries of the Date of Termination if the Date of Termination is on or prior to October 16, 2018, and (ii) three (3) equal installments on the six-month, one year and 18-month anniversaries of the Date of Termination if the Date of Termination is after October 16, 2018.

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

5. 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.

6. 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 he 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 his lawyer, financial advisor or immediate family members as permitted herein, Executive agrees to immediately tell each such individual that he or she must abide by the confidentiality restrictions contained herein and keep such information confidential as well.

(ii) Executive agrees that during his 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 his or 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 his 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 his employment with the Company, Executive shall devote as much of his skill, knowledge, commercial efforts and business time as the Board shall reasonably require to the conscientious and good faith performance of his duties and responsibilities to the Company to the best of his 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 eighteen (18) months following the termination of his 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, the Company, any of their Subsidiaries, or any of their 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 his 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.

(c) Non-Solicitation of Employees and Franchisees. During the period of Executive's employment with the Company and for the eighteen (18) month period following the termination of his 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, the Company or any of the Company's Subsidiaries, or any of the Company's 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 eighteen (18) month period following the termination of his 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, the Company, any of the Company's Subsidiaries, or any of the Company's franchisees, without the express written permission of the Company.

7. 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).

8. 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.

9. 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.

10. 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.

11. 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.

12. 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.

13. 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.

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

15. 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 his 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 named 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 the Company or Holding Company, to:

1716 Corporate Landing Parkway
Virginia Beach, Virginia 23454

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

(g) Voluntary Agreement: No Conflicts. Executive represents that he 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 he is a party or by which he or his 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 Company and JTH Tax have duly executed this Agreement by their authorized representatives, and Executive has hereunto set his 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

JTH HOLDING, INC.

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

EXECUTIVE:

/s/Christopher J. Carroll
Christopher Carroll

Exhibit 31.1

I, John T. Hewitt, certify that:

1. I have reviewed this quarterly report on Form 10-Q of JTH HOLDING, 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.

Date: December 13, 2013

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

Exhibit 31.2

I, Mark F. Baumgartner, certify that:

1. I have reviewed this quarterly report on Form 10-Q of JTH HOLDING, 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.

Date: December 13, 2013

By: /s/ Mark F. Baumgartner
Mark F. Baumgartner
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

**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 JTH Holding, Inc. (the "Company") on Form 10-Q for the fiscal quarter ended October 31, 2013 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.

Date: December 13, 2013	By:	/s/ John T. Hewitt
		John T. Hewitt
		Chief Executive Officer and Chairman of the Board (Principal Executive Officer)

Exhibit 32.2

**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 JTH Holding, Inc. (the “Company”) on Form 10-Q for the fiscal quarter ended October 31, 2013 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Mark F. Baumgartner, 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.

Date: December 13, 2013

By: /s/ Mark F. Baumgartner
Mark F. Baumgartner
Chief Financial Officer
(Principal Financial Officer)