FRANCHISE DISCLOSURE DOCUMENT

JTH Tax, Inc. d/b/a Liberty Tax Service
A Delaware Corporation
1716 Corporate Landing Parkway
Virginia Beach, VA 23454
(800) 790-3863
(757) 493-8855
libtax@libtax.com
www.libertytax.com

JTH Tax, Inc. d/b/a Liberty Tax Service offers a franchise program to operate tax return preparation offices utilizing special marketing techniques and operating procedures.

Option 1- $40,000 franchise fee: The total investment necessary to begin operation of a Liberty Tax office is $56,800 - $69,900. This includes the initial or resale franchise fee that you must pay to us, which is $40,000.

Option 2- $2,500 security deposit: The total investment necessary to begin operation of a Liberty Tax office is $19,300 -$32,400. There is no initial or resale franchise fee but you must pay to us a $2,500 security deposit and a higher royalty rate for the first five years.

The disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no government agency has verified the information contained in this document.**

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract to an advisor, like a lawyer or accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

Issuance date: February 15, 2013.

STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state franchise administrator listed in Exhibit F for information about the franchisor, about other franchisors, or about franchising in your state.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

Please consider the following RISK FACTORS before you buy this franchise.

1. THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY LITIGATION ONLY IN VIRGINIA. OUT-OF-STATE LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO LITIGATE WITH US IN VIRGINIA THAN IN YOUR OWN STATE.

2. THE FRANCHISE AGREEMENT STATES THAT VIRGINIA LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THSE LAWS.

3. YOU AND WE AGREE TO WAIVE OUR RIGHTS TO A JURY TRIAL AND INSTEAD HAVE ANY LAWSUITS BETWEEN US DECIDED BY A JUDGE.

4. WE RETAIN THE RIGHT TO DISTRIBUTE SIMILAR PRODUCTS AND SERVICES AS THOSE OFFERED HERE, BY MEANS OTHER THAN RETAIL OR STOREFRONT LOCATIONS, IN YOUR TERRITORY.

5. CONTINUATION OF YOUR RIGHTS TO BE A FRANCHISEE DEPENDS UPON YOUR ABILITY TO PREPARE 1000 FEDERAL INCOME TAX RETURNS IN YOUR FIFTH AND EACH SUBSEQUENT TAX SEASON.

THERE MAY BE OTHER RISKS CONCERNING THE FRANCHISE.

We use the services of one or more FRANCHISE BROKERS or referral sources to assist us in selling our franchise. A franchise broker or referral source represents us, not you. We pay this person a fee for selling our franchise or referring you to us. You should be sure to do your own investigation of the franchise.

Effective Date: See the next page for state effective dates.

STATE EFFECTIVE DATES

The following states require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This Franchise Disclosure Document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

California	Exempt
Hawaii	Pending
Illinois	Exempt
Indiana	Exempt
Maryland	Exempt
Michigan	May 18, 2012
Minnesota	Pending
New York	Exempt
North Dakota	Exempt
Rhode Island	Exempt
South Dakota	July 19, 2012
Virginia	Pending
Washington	Pending
Wisconsin	Pending

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Exhibits

ITEM 1
The Franchisor, and any Parents, Predecessors and Affiliates

The Franchisor, and any Parents and Affiliates. To simplify the language in this disclosure document, the terms "we," "us," and "our" refer to JTH Tax, Inc. d/b/a Liberty Tax Service. The terms "you" and "your" refer to the person or entity that buys this franchise, including any guarantors. We are a Delaware corporation incorporated on October 23, 1996. We do business as "Liberty Tax Service."

On September 23, 2010, we incorporated JTH Holding, Inc. in Delaware. JTH Holding functions as a holding company, which owns JTH Tax, Inc. and JTH Financial, LLC, described just below.

On August 27, 2009, outside counsel formed JTH Financial, LLC in Virginia and on September 30, 2010, JTH Holding became the sole member of JTH Financial. Since January 2011, JTH Financial has provided select Liberty offices with the ability to offer Electronic Refund Checks and Instant Cash Advance loans provided by 1st Money Center, Inc. or RPFG, LLC, as described in Item 8 below.

We own 60% of the Canadian corporation Liberty Tax Service Inc. ("Liberty-Canada"). Liberty-Canada franchises income tax preparation offices in Canada under the name Liberty Tax Service. We acquired a majority interest in Liberty-Canada in September 1997, at which time its name was Tax Depot Inc. We also own 100% of the Canadian corporation Liberty Tax Holding Corporation ("Liberty-Holding"), an Ontario corporation incorporated in October 2001. Liberty-Holding does not operate but owns the remaining 40% of Liberty-Canada.

Liberty-Canada also offered from 1989 to 2006, but no longer offers, the ability of independent tax preparers and accountants to serve as non-franchised agents whereby the preparer or accountant would operate under their own mark and not as Liberty Tax Service, but, for a fee, use Liberty-Canada funding to offer tax discounting services to their clients. During the calendar year 2012 Tax Season, Liberty-Canada had one such agent in Canada.

We have a wholly owned subsidiary, Wefile Inc., incorporated on September 6, 2002 in the State of Virginia, which operates company-owned Liberty Tax Service income tax preparation offices.

On November 30, 2006, we incorporated in Virginia a wholly owned subsidiary, LTS Software Inc. ("LTS"). In December 2006, LTS purchased all the tax preparation related assets of a California online tax preparation company, C&S Technologies, Inc., which offered online income tax preparation through the website www.esmarttax.com. In December 2012, LTS purchased the tax preparation related assets of CCH which offered online tax preparation at www.CompleteTax.com. At present, we offer online tax preparation through these websites.

Our principal place of business, except for Liberty-Canada, is 1716 Corporate Landing Parkway, Virginia Beach, Virginia 23454. Our agents for service of process, and the agents for all of our affiliates, except JTH Holding, JTH Financial, and Liberty-Canada, are listed in Exhibit F.

The registered agent for JTH Holding is the Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware. The registered agent for JTH Financial is Kathleen Curry, 1716 Corporate Landing Parkway, Virginia Beach, Virginia 23454.

The principal place of business for Liberty-Canada is 16-110 Riviera Drive, Markham, Ontario L3R 5M1 and its registered agent is John Hewitt or Steve Ibbotson at the same address.

In certain portions of the United States, we use Area Developers to assist in the offer, sale, and support of franchises. If you are in such an area or become in such an area after becoming a franchisee, we may pay to the Area Developer a portion of the initial franchisee fee and royalties that you pay to us and the Area Developer.

Our Business and the Franchises Offered. We offer franchises to operate income tax preparation offices using our marks “Liberty Tax Service,” “Liberty Tax,” and “Liberty Income Tax,” any further marks we develop, and our proprietary business methods and marketing techniques in a specified geographic territory.

Customers and Competition. We are a retail income tax return preparation business, which primarily attracts customers from the low to middle income brackets. The business is seasonal with most of the customer flow occurring from early January through the middle of April each year. The primary competition in this market is from H&R Block. Other competition comes from other national, regional, and local tax return preparation and accounting businesses, as well as from the Free File Alliance, online income tax preparation services, and nonprofit tax preparation assistance groups.

Laws and Regulations. We are subject to laws, regulations, and ordinances that apply to businesses in general. These include federal and state wage and hour laws, the Americans with Disabilities Act, the Occupation, Health and Safety Act, and the Patriot Act.

In addition, the Internal Revenue Code and its associated regulations govern many aspects of the preparation and electronic filing of tax returns. You cannot file tax returns electronically unless you can obtain an electronic filing identification number (EFIN) from the Internal Revenue Service (“IRS”). If you or a firm in which you were a principal has assessed a tax preparer penalty, been convicted of a crime, failed to file a tax return or pay taxes, or cannot pass an IRS background suitability check, you may be unable to obtain an EFIN. The electronic filing of tax returns is essential to this business. If you cannot obtain an EFIN, you cannot operate this franchise.

The IRS also regulates other aspects of the business by requiring that tax preparers use appropriate diligence in tax preparation, sign the completed return, furnish a copy of the return to the customer, maintain a customer list, safeguard customer privacy, and that tax preparers not negotiate refund checks on tax returns they prepare.

The IRS and certain states and localities regulate advertising associated with refund anticipation loans. These laws typically require that refund anticipation loans be marketed solely as “loans” and disclose in the advertisement the lender’s name and that interest or fees apply.

The IRS requires tax preparers to pass a competency test, register, and meet continuing education requirements.

The Federal Trade Commission’s Safeguards Rule requires that tax preparers use physical, administrative, and technological means to safeguard confidential customer data. The federal Gramm Leach Bliley Act requires that tax preparers advise customers of what type of confidential data we collect, the use made of this data, and safeguards in place to protect it. Certain states also have privacy laws.

States also have laws and regulations governing the preparation of state tax returns. Most states have regulations regarding the electronic filing of tax returns. However, many states accept federal suitability testing, so if you can obtain an EFIN from the IRS, you can file many state returns electronically as well.

We require that you offer tax classes prior to the beginning of each tax season. "Tax Season" means the time period January 2 – April 30. Please see Exhibit B, Section 6.p. Some states regulate tax classes in that the offering of such classes falls within these states' definition of proprietary schools. If you operate within one of these states, you may have to submit an application for your proposed tax courses and meet various requirements concerning instructor qualifications, course topics, classroom facilities, and other matters related to the courses offered.

Many localities have sign ordinances, which limit or bar certain signs or require sign approval. Some localities apply or purport to apply these laws to limit or bar certain of our promotional techniques, such as costumed roadside wavers.

Some states and localities have statutes, ordinances and regulations regarding tax preparation and/or refund anticipation loans ("RALs") and also require submission and approval of a registration application as a "loan facilitator," "loan broker" or "credit services organization" in order to offer RALs or other loans, or to be able to offer them in exchange for a fee or consideration. See Item 8 for a description of refund anticipation loans and other financial products.

The laws in regard to these issues, as best as we are presently aware, follow, but may change at any time and the federal government or other states and localities may also issue similar or new laws and regulations that impact the tax preparation business or some aspect of it:

Arkansas requires that tax preparers give customers certain disclosures of costs and terms related to Electronic Refund Checks ("ERCs") and RALs.

In California, tax preparers are governed by California Business and Professions Code Sec. 22250-22259. In summary, those laws require tax preparers (except CPAs, attorneys, enrolled agents and the employees of all these persons) to post a bond, possess certain educational attainment in tax preparation, annually complete continuing education in tax preparation, maintain and furnish tax records to clients, and not engage in dishonest business or advertising practices.

In California, tax preparers must give customers certain disclosures of costs and terms related to RALs, obtain customer consents to use customer data, and ensure that all RAL advertising conspicuously states that interest or fees apply and names the lender. In addition, subject to the results of a pending appeal, Liberty and its franchisees are bound by an Injunction related to RAL advertising and other practices in California as described in Item 3 below under the case styled *The People of the State of California v. JTH Tax, Inc., Employees Plus Inc. and Does 1-150*, (Case No.CCGC-07-560770).

The city of Chicago requires that tax preparers give each customer a Consumer Bill of Rights and requires disclosure of the costs and fees associated with the tax preparation services offered and a disclosure of the costs and fees for the tax preparation services provided.

Colorado requires that tax preparers register as Electronic Return Originators with the IRS in order to be able to offer RALs and give customers certain disclosures of costs and terms related to RALs.

Connecticut requires that tax preparers give customers certain disclosures of costs and terms related to RALs. Connecticut also limits the interest rate on RALs to 60% per year.

Florida imposes a documentary tax on refund anticipation loans.

Illinois requires that tax preparers give customers certain disclosures of costs and terms related to ERCs and RALs.

Louisiana requires that tax preparers give customers certain disclosures of costs and terms related to RALs.

Maine requires that tax preparers who wish to offer RALs must register and post a bond, post and provide certain disclosures of costs and terms related to ERCs and RALs, not engage in certain practices, limit RAL interest to 36%, and make certain advertising disclosures.

Maryland requires tax preparer testing, licensing, and disclosure of qualifications in order to be able to prepare tax returns. Attorneys, CPAs, IRS Enrolled Agents, their employees, and employees of a duly licensed tax preparer are exempt from the law. Maryland also requires that tax preparers give customers certain disclosures of costs and terms related to RALs.

Michigan requires that tax preparers give customers certain disclosures of costs and terms related to RALs.

Minnesota requires that tax preparers adhere to certain standards of conduct (e.g., maintain customer confidentiality, return client documents, etc.) and provide certain disclosures of costs and terms related to ERCs and RALs.

Nevada requires that tax preparers give customers certain disclosures of costs and terms related to RALs.

New Jersey requires that tax preparers give customers certain disclosures of costs and terms related to RALs.

New York City requires that tax preparers adhere to certain standards of conduct (e.g., return client documents, furnish a copy of the tax return, etc.) post fees, qualifications and identifying information, give a consumer disclosure and Consumer Bill of Rights to each customer, and adhere to certain standards when advertising RALs.

New York State requires that tax return preparers and facilitators of RALs register with the state, obtain a unique identification number and sign returns prepared with that number, provide a consumer's bill of rights to customers, provide certain disclosures of costs and terms related to RALs and other Financial Products, and include in all RAL advertising a conspicuous disclosure that a fee or interest will be charged and name the lending institution.

North Carolina requires the submission of an application and approval to offer RALs and requires that tax preparers give customers certain disclosures of costs and terms related to RALs.

Oregon mandates certain minimum educational and other qualifications and licensing for tax preparers and also requires that tax preparers give customers certain disclosures of costs and terms related to RALs.

Tennessee requires that tax preparers adhere to certain standards when advertising RALs, post and provide certain disclosures of costs and terms related to RALs, and allow a customer to rescind a RAL.

Texas requires the submission of an application and approval to offer RALs and requires that tax preparers give customers certain disclosures of costs and terms related to RALs.

Virginia requires that tax preparers adhere to certain standards when advertising RALs, post and provide certain disclosures of costs and terms related to RALs, and allow a customer to rescind a RAL.

Washington State requires the submission of an application and approval to offer RALs and requires that tax preparers give customers certain disclosures of costs and terms related to RALs and allow a customer to rescind a RAL.

Wisconsin requires that tax preparers give customers certain disclosures of costs and terms related to RALs.

Our Prior Business Experience. We have been in the income tax preparation business and have offered franchises in this business since 1997. In the January-April 2012 Tax Season, we had 3889 Liberty offices in the United States, 3809 of which we franchised and 80 of which Wefile operated.

Liberty-Canada, through its predecessors, has been in the income tax preparation business since 1972 and in the income tax rebate discounting business since 1983. Through itself and predecessors, Liberty-Canada has offered franchises in Canada since 1975. In the January-April 2012 Tax Season, Liberty-Canada had 263 Liberty offices in Canada, 249 of which were franchised and 14 of which were company operated.

ITEM 2
BUSINESS EXPERIENCE

John Hewitt, President, Chief Executive Officer and Chairman. John Hewitt has served as the President, Chief Executive Officer and Chairman of JTH since October 1996. Mr. Hewitt also served as the Chairman of Liberty-Canada since September 1997 and as its President from September 1997 until April 1998 and from April 2003 until the present. From August 1982 until June 1996, Mr. Hewitt was the Founder, President, Chief Executive Officer and Chairman of Jackson Hewitt Inc., in Virginia Beach, Virginia. From December 1969 until June 1981, Mr. Hewitt held the varying positions of Tax Preparer, Assistant District Manager, District Manager, and Regional Director with H&R Block in Buffalo and Elmira, New York and Moorestown, New Jersey.

George Robson, Director. Mr. Robson has served as a Director since April 1999. Mr. Robson has also served as a Director for Learning Tree International in El Segundo, California since November 2006.

Gary Golding, Director. Gary Golding has been a Director since October 2000. Mr. Golding has also served as a General Partner with Edison Ventures in McLean, Virginia since October 1997.

Steven Ibbotson, Director. Mr. Ibbotson has served as a Director since June 1999. From September 1997 until the present, he has also served as a General Manager for Farm Business Consultants, Inc. (FBC) in Calgary, Alberta.

Ross Longfield, Director. Mr. Longfield has served as a Director since December 2001. From November 2002 through December 2004 Mr. Longfield served as Chairman of the Board of Incurrent Solutions in Parsippany, New Jersey.

John Garel, Director. Mr. Garel has served as a Director since May 2003. From June 2000 until the present, Mr. Garel has served as a Senior Managing Director for Envest Holdings in Virginia Beach, Virginia.

Ellen McDowell, Director. Ms. McDowell has served as a Director since June 2010. From January 1998 until the present, Ms. McDowell has also served as an Attorney and Managing Shareholder at McDowell Posternock Law, P.C., in Maple Shade, New Jersey.

Gordon D'Angelo, Director. Mr. D'Angelo has served as a Director since June 2011. From July 1999 to the present, Mr. D'Angelo has also served as the Chairman and CEO of Next Financial Holdings, Inc. in Virginia Beach, Virginia.

Martha O'Gorman, Chief Marketing Officer. Ms. O'Gorman has served as our Chief Marketing Officer since June 2007. From November 1996 until June 2007, Ms. O'Gorman served as our Vice President of Marketing.

Kathleen Curry, Corporate Secretary and Corporate Counsel. Ms. Curry has served as Corporate Counsel since February 2011. From April 2006 until the present, Ms. Curry has also served as the Corporate Secretary. From July 1997 until February 2011, Ms. Curry served as the Vice President of Legal and Human Resources.

Charles E. Kirkpatrick, Chief Information Officer. Mr. Kirkpatrick has served as our Chief Information Officer since March 2002.

Mark F. Baumgartner, Chief Financial Officer. Mr. Baumgartner has served as our Chief Financial Officer from February 2004 until the present.

T. Rufe Vanderpool, Chief Operating Officer. Mr. Vanderpool has served as our Chief Operating Officer since June 2011. From June 2006 until June 2011, Mr. Vanderpool served as our Vice President of Operations.

David Tarr, Director of Franchise Development. Mr. Tarr has served as our Director of Franchise Development since January 2009. From October 2005 until January 2009, Mr. Tarr also served as our Brokered Development Manager.

James Wheaton, General Counsel, Vice President, Legal and Governmental Affairs. Mr. Wheaton has served as our General Counsel, Vice President, Legal and Governmental Affairs since February 2011. From May 2001 until February 2011, Mr. Wheaton served as a Partner with Troutman Sanders LLP in Virginia Beach, Virginia.

David Miller, Vice President of Field Operations. Mr. Miller has served as our Vice President of Field Operations since October 2011. From June 2010 until October 2011, Mr. Miller served as our Director of Finance. From August 2004 until June 2010, Mr. Miller served as our Chief Accounting Officer.

Marty Mazer, Vice President of Franchise Development. Mr. Mazer has served as our Vice President of Franchise Development since June 2012. From February 2003 until May 2012, Mr. Mazer served as Vice President of Franchise Development for ACE Cash Express in Dallas, Texas.

Leandro Crespo, Vice President of Software Architecture. Mr. Crespo has served as our Vice President of Software Architecture since January 2013. From July 2011 until December 2012, Mr. Crespo served as our Director of Enterprise Architecture. From January 2001 to June 2011, Mr. Crespo served as the Vice President of Software Development for Advanced Media Health Media in Chesapeake, Virginia.

ITEM 3
LITIGATION

Pending Actions-

Sanjit Chawla v. JTH Tax, Inc., d/b/a Liberty Tax Service (Case No. 2:12cv632) filed November 21, 2012 in the United States District Court for the Eastern District of Virginia. The plaintiff is a former Liberty franchisee who alleges we breached his franchise agreements and the implied covenant of good faith and fair dealing when we terminated his franchises. The plaintiff seeks $849,589 in damages, attorneys' fees and costs, and injunctive relief. On December 3, 2012, we filed counterclaims against the plaintiff for breach of the franchise agreements (including misconduct) and trademark infringement. We seek $1,550,000 in damages, attorneys' fees and costs, and injunctive relief. We have denied the allegations against us, and the case is in a preliminary stage.

In Re: Liberty Refund Anticipation Loan Litigation (Case No. 1:12-cv-02949) filed April 16, 2012 in the U.S. District Court for the Northern District of Illinois. The Judicial Panel on Multidistrict Litigation (MDL No. 2334) consolidated and transferred to this court the following cases for pretrial proceedings: *Pamela Patterson, on behalf of herself and others similarly situated v. JTH Tax, Inc.* (Case No. 0:11-cv-62472-WJZ) in the U.S. District Court for the Southern District of Florida; *Timothy Rowden, on behalf of herself and others similarly situated v. JTH Tax, Inc.* (Case No. 0:11-cv-62472-WJZ) in the U.S. District Court for the Northern District of Illinois;*Charles Madubuike, George Washington, Jr. and Margaret Washington, individually and on behalf of all others similarly situated v. JTH Tax, Inc.* (CV 11-09580) in the U.S. District Court for the Central District of California; *Zaneta Houston and Daphne Shorter, on behalf of themselves and all others similarly situated v. JTH Tax, Inc.* (Case No. 4:11-cv-858-JMM) in the U.S. District Court for the Eastern District of Arkansas; *Keonna M. Brown, on behalf of herself and all others similarly situated v. JTH Tax, Inc.* (Case No. 1:12-cv-00061-WMN) in the U.S. District Court for the District of Maryland; *Shamira Jones and William Reynolds, individually and on behalf of all others similarly situated v. JTH Tax, Inc.* (Case No. 1:12-cv-00020) in the U.S. District Court for the Middle District of North Carolina; *Douglas Glover, on behalf of himself and all others similarly situated v. JTH Tax, Inc.* (Case No. 1:12-cv-50) in the U.S. District Court for the Middle District of North Carolina; *Terrance R. Patterson, on behalf of himself and all others similarly situated v. JTH Tax, Inc.* (Case No. 2:12-cv-00184-NJ) in the U.S. District Court for the Eastern District of Wisconsin; *Ronald Topping, Kevin and Yolanda Goodwin, individually and on behalf of all others similarly situated v. JTH Tax, Inc.* (Case No. 1:12-cv-03640-HB) in the U.S. District Court for the Southern District of New York; and *Heather L. Reyes,on behalf of herself and all others similarly situated et al. v. JTH Holding, Inc., and its affiliate and subsidiary JTH Tax, Inc. d/b/a Liberty Tax Service, Delaware Corporations* (Case No. 0:12-cv-01309-RHK-AJB) in the U.S. District Court for the District of Minnesota. The plaintiffs are former Liberty Tax preparation customers in the United States. On June 22, 2012, the plaintiffs filed a single Consolidated Amended Complaint encompassing the claims of all plaintiffs in the above listed cases. The plaintiffs bring claims on behalf of themselves and all natural persons residing in the United States who after December 2, 2006 - January 3, 2009 (depending on the state and purported class) received a Santa Barbra Bank & Trust ("SBBT") or a

Republic Bank & Trust Company ("Republic") Refund Anticipation Loan ("RAL"), Electronic Refund Check ("ERC") or Electronic Refund Deposit ("ERD") (also depending on the state and purported class) that was facilitated by us. Depending on the state and purported class, Plaintiffs allege we violated various state RAL and consumer protection laws by facilitating RALs, ERCs, or ERDs and by failing to: accurately calculate interest rates and abide by the written disclosure requirements as required by the Truth in Lending Act ("TILA"); certain fees (ranging from $29.95 to $32.95 depending on the state and product) as part of the finance charge calculation; provide any disclosure of the interest rate for ERCs or ERDs and Tax Refund Administration Fees (in some states); and provide specific disclosures required by the applicable state RAL laws (in some states). Plaintiffs further allege that a handling fee charged by SBBT violated California's usury laws, and that this violation also violated Cal. Bus. & Prof. Code §17200, *et seq.* In some states, plaintiffs claim the violations of TILA alleged above also constitute violations of certain state consumer protection statutes. In some states, Plaintiffs allege we violated the RAL and consumer protection laws of those states by receiving a portion of the finance charge or other loan fees for Republic RALs, ERCs, or ERDs that we allegedly facilitated in these states. In Minnesota, plaintiffs allege we violated the Minnesota Unfair Trade Practice Act and the Minnesota Uniform Deceptive Trade Practices Act by including mandatory arbitration clauses in the Republic RAL, ERC, or ERD facilitation agreements with Liberty clients in Minnesota, and by failing to provide the specific disclosures required by the Minnesota RAL laws regarding mandatory arbitration clauses in those agreements.

The plaintiffs seek statutory damages, litigation costs and attorneys' fees under state RAL laws and consumer protection statutes; and plaintiffs further seek disgorgement, compensatory damages, interest on damages and injunctive relief. We have denied the allegations against us and the case is in the early stages, with a motion by us to compel the claims to be arbitrated pending before the court.

Kenneth Martin et al. v JTH Tax, Inc. d/b/a Liberty Tax Service, John Hewitt and Danny Hewitt, (Case No. 9:10-3016-CWH) filed on November 22, 2010 in the U.S. District Court for the District of South Carolina. The plaintiffs, former clients of two Liberty Tax franchised offices, sued us and two of our employees claiming that, pursuant to a plan or scheme, we fraudulently increased their tax refunds when preparing their income tax returns. The plaintiffs brought the case as a class action seeking to represent all Liberty Tax customers who were charged additional fees for the filing of schedules or forms which accompanied a federal income tax return, but the court denied class action status in February 2013. The plaintiffs also brought a RICO claim against John and Danny Hewitt individually, a breach of contract claim against us, a breach of fiduciary duty claim against us, and an Unjust Enrichment Claim against all defendants. The plaintiffs seek at least $5,000,000 in actual damages, treble damages under the RICO claim, punitive damages against us, restitution against all defendants, reasonable attorney's fees, accountants' fees, experts' fees, costs, and an incentive payment to the Class Representatives.

In January 2011, we filed an answer denying these claims and filed third party claims against Annie Fuller, a former Liberty Tax franchisee, claiming that she had committed defamation against us by providing false information to the plaintiffs' attorneys and possibly others about us, breached her franchise agreement and a purchase and sale agreement (through which we repurchased her franchises), and that she owed us indemnity, because she was the person who committed any improper acts at issue, without our knowledge or direction, and contrary to her contractual duties to us and our Operations Manual. We also asked for a declaratory judgment that as a result of these breaches, we had no further duty to pay to Fuller sums owed under a purchase and sale agreement and were due a refund of monies already paid.

On May 31, 2011, Fuller filed a counterclaim against us alleging that we breached a purchase and sale agreement, breached the purchase and sale agreement with a fraudulent intent, violated the Virginia Retail Franchising Act, and breached her franchise agreement. Fuller sues for unspecified damages, costs, and attorney's fees. We deny the allegations against us and intend to vigorously defend against them.

A motion by us for summary judgment on some of the claims is pending before the court, and no trial date has been set.

State of New York Division of Human Rights v. JTH Tax, Inc., (Case No. 10122847) filed on or about January 17, 2008 in the State of New York Division of Human Rights ["NYDHR"]. The NYDHR claims that we target communities of color and military families in marketing RALs, pay stub loans and holiday loans and seeks an injunction to stop these alleged practices. We intend to defend against these claims, but this matter is not active.

The People of the State of California v. JTH Tax, Inc., Employees Plus Inc. and Does 1-150, (Case No.CCGC-07-560770) filed on February 26, 2007 in the Superior Court of California, City and County of San Francisco. The state alleged that in prior tax seasons we marketed loans by blurring the distinction between loans and refunds, giving misleading refund time frames and other deception; targeting EIC clients without telling them they can get their money paid in the advance EIC instead of in refunds or loans; improperly fail to treat the ERC as a loan of tax preparation fees, in violation of TILA; used cross collection in violation of state and federal debt collection laws and the California Legal Remedies Act ("CLRA"); used tax return information for debt collection and the sale of bank products without obtaining a separate consent to do so, as required by state and federal law; and facilitate loans without registering as a Credit Services Organization ("CSO"). The state sought civil penalties and restitution of at least $6,000,000, costs, and a permanent injunction. Trial was held in October 2008.

In June 2009, the court entered a ruling finding in favor of the state on certain of its advertising claims, on the TILA claim that ERCs are loans and on cross collections as being a violation of the FDCPA and CLRA, and held us vicariously liable for certain false franchisee advertising. The court ruled in our favor on the state's claims under the CSO laws, that we failed to use proper separate consents, that we took improper contingency fees in violation of IRS rules, and on certain advertising claims.

The court awarded to the state civil penalties of $1,161,699, and restitution of $135,886 to customers who had authorized cross collections. The court further entered a permanent injunction governing Liberty's advertising practices, supervision of franchisee advertising, offering ERCs without disclosing them as loans, and offering cross-collection without up front notice to the consumer about their debt. Part of the injunction, which we appealed, requires us to turn over to the Attorney General any improper California franchise ads that we discover, and requires the franchisee to pay a $15,000 fine upon the second of any such ad, and requires us to terminate the franchise agreement upon the third such ad. We filed a notice of appeal in 2009, but on January 17, 2013, the Court of Appeals issued an opinion upholding the trial court's judgment on all issues. A petition for review of the ERC issue by the Supreme Court of California will be filed in February 2013.

Litigation Against Franchisees Commenced in the Past Fiscal Year (May 1, 2011 – April 30, 2012)

Litigation to Enforce Post-Termination Duties:

JTH Tax, Inc. v. John Bowlen, (Case No. 2:11cv557) filed October 17, 2011 in the U.S. District Court for the Eastern District of Virginia.

JTH Tax, Inc. v. William Wisecarver, (Case No. 2:11cv667) filed December 21, 2011 in the United States District Court for the Eastern District of Virginia.

JTH Tax, Inc. v. Columbian Financial Services, LLC and Mark Schneider, (Case No. 2:12cv88) filed February 21, 2012 in the United States District Court for the Eastern District of Virginia.

JTH Tax, Inc. v. Javed Rasheed, (Case No. 2:12cv211) filed April 19, 2012 in the United States District Court for the Eastern District of Virginia.

Concluded Litigation-

Michael Knight et al. v. JTH Tax, Inc., (Case No. 3:03cv1875) filed October 7, 2003 in the Connecticut Superior Court in Bridgeport. A former franchisee of ours alleged that we terminated him in violation of Connecticut law, and that such action also constituted a violation of Connecticut's Unfair Trade Practices Act, tortious interference with his business expectancies, and a breach of the contractual duty of good faith and fair dealing. Knight sought unspecified damages in excess of $15,000, and a temporary and permanent injunction from taking further action to terminate the franchises, punitive damages, and attorney's fees.

We removed the case to federal court and filed a counterclaim for monies owed to us as well as other wrongs by Knight. The case was tried in 2010 and in 2011, the court ruled as follows: the court found for Knight on his Connecticut Franchise Act claim but awarded no damages, the court found for Liberty on Knight's tortious interference claim, and the Court found for Liberty on our counterclaims and awarded to us $70,467.22 in damages plus attorney's fees. In November 2011, the court further awarded to us prejudgment interest of $132,949.80, and attorney's fees and costs of $114,873.59. In April 2012 the parties entered into an agreed order dismissing the appeal with prejudice.

Kenneth & Myra Martin v. JTH Tax, Inc. and Annie Fuller, (Case No. 2009-CP-36-283) filed July 7, 2009 in the Court of Common Pleas of the State of South Carolina, County of Newberry. The Martins alleged that they purchased tax preparation services in 2007 and 2008 from franchisee Annie Fuller's office and that Fuller's Tax Preparer made false and inflated deductions on their tax return which a State of South Carolina Auditor has disallowed. The Martins sued for breach of contract, fraud, fraudulent misrepresentation, fraudulent inducement, negligence, negligent misrepresentation, civil conspiracy, and violation of the South Carolina Unfair Trade Practices Act. The Martins demanded a trial by jury and sought unspecified compensatory, treble, punitive damages and attorney's fees.

On November 3, 2010, the Martins filed a Stipulation of Dismissal of this case, then subsequently brought the case against us styled Kenneth Martin et al. v JTH Tax, Inc. et al., (Case No. 9:10-3016-CWH), discussed above.

Joan Flowers v. JTH Tax, Inc., (Case No. 045V01016) filed on or about September 13, 2004 in the State Court of Henry County, State of Georgia. The plaintiff, a former tax practitioner who sold to us her tax practice in December 2000, alleged that we breached our purchase and sale agreement with her by failing to report all revenues to her earned the year after we bought it (which would have the effect of reducing the purchase price paid to her), relying in part on a delay in reporting to us of $3,364.50 by the local franchisee who bought this tax practice from us, and that this conduct constituted fraud and conversion. The plaintiff sought unspecified compensatory damages, punitive damages, prejudgment interest and attorney's fees.

Trial in this case began in September 2008. After a jury trial, the jury returned a verdict of $155,311.24 on the plaintiff's claim for breach of contract, $63,809.50 on the plaintiff's claim for fraud (though the plaintiff had not presented any evidence of $63,809.50 in damages as that is the amount that we paid to her), $110,078.16 on the plaintiff's claim for attorney's fees, and $420,801.10 on the plaintiff's claim for punitive damages. The jury returned a defense verdict on the plaintiff's claim for trover.

In November 2008, over our objection, the Court reduced the breach of contract award by $63,809.50 to eliminate what it held to be the duplicate damage award with the fraud claim and in all other respects entered judgment on the verdict as rendered by the jury, for a total judgment award of $686,190.50.

We filed a notice of appeal on April 15, 2009. On March 9, 2010, the Georgia Court of Appeals issued a ruling that affirmed the trial court's actions, again, relying on the delay in the local franchisee's reporting $3,364.50 of revenue to us as proof sufficient to sustain a fraud damage award of $63,809.50 against us.

The Georgia Supreme Court denied our request for permission to appeal in September 2010.

First Financial, Inc. v. JTH Tax, Inc., D&S Tax, LLC, & Frederick Smith dba Liberty Tax Service, (Case No. 09-01-0063) filed on January 9, 2009 in the Chancery Court of Desoto County, Mississippi. A former franchisee of ours alleged that we fraudulently induced him to purchase a franchise from us, breached our duties under the franchise agreement, violated Mississippi franchise laws, and committed a civil conspiracy against him. He sued us, his Area Developer, and a nearby franchisee. The plaintiff sought damages, punitive damages, attorney's fees, rescission, declaratory relief, and an injunction prohibiting us from enforcing our post-termination non-compete duties.

On January 20, 2009 we filed a case styled *JTH Tax, Inc. v. Nayyer Mahmood, Sehr Mahmood & First Financial, Inc.*, (Case No. 2:09cv24) in the United States District Court for the Eastern District of Virginia. We alleged that the defendants breached their franchise agreement in initiating the above action against us in violation of their forum selection clause and were in violation of their post-termination duties. We sought $600,000 damages and injunctive relief.

In August 2010, these cases settled whereby Mr. Mahmood agreed to pay to us $70,000, we agreed to reinstate his franchise agreement, the parties exchanged releases, and the Court dismissed with prejudice all claims and counterclaims in these cases.

Diane Drake v. JTH Tax, Inc. & The Royalty Group LLC, (Case No. RG09455932) filed on June 4, 2009 in the Superior Court of the State of California for the County of Alameda. Drake, a then current franchisee, sued us and her Area Developer alleging that we fraudulently induced her into her franchise purchase, breached the contract and covenant of good faith and fair dealing by failing to provide promised support, violated California Bus. & Prof. Code Section 17200 by using noncompetes in violation of California law, by violating the FTC Act, and by violating the FTC Franchise Disclosure Rule as a result of giving oral earnings claims, making false representations, and failing to disclose legal problems that could arise with certain of our marketing techniques. The plaintiff sought a declaratory judgment that she was not bound by the non-competition and nonsolicitation clauses in her franchise agreement and that she was entitled to rescission. She also sought the return of her $28,500 franchise fee, all royalties paid, all losses to be reimbursed, attorney's fees, prejudgment interest, costs and an injunction.

On June 12, 2009, we filed the case styled JTH Tax, Inc. v. Diane Drake, (Case No. 2:-09cv277) in the United States District Court for the Eastern District of Virginia, Norfolk Division. We alleged that Drake breached her franchise agreement with us by suing us outside of Virginia, by demanding a jury trial and application of California law, by suing her Area Developer, and by failing to pay to us all amounts due to us. We demanded $12,551,318.28 and injunctive relief in the event that Drake breached her post-termination duties during the pendency of the case.

In August 2009, the parties settled all matters in controversy whereby Liberty purchased Drake's franchise territory back for $33,500, the parties exchanged releases and dismissed with prejudice both the California and Virginia actions.

David C. Blum v. JTH Tax, Inc., (Case No. 090907214) filed on June 12, 2009 in the Third Judicial District Court in and for Salt Lake County, Utah. The plaintiff alleged that he was induced to buy an existing Liberty company store as a result of false representations and that Liberty entered into a purchase agreement with him via an email exchange to repurchase the store, which such agreement Liberty refused to honor. The plaintiff sued for Enforcement of Settlement Agreement, Fraudulent Inducement, Intentional Misrepresentation, Fraudulent Nondisclosure, Negligent Misrepresentation, and Punitive Damages. He sought unspecified compensatory damages in excess of $20,000 plus punitive damages of $250,000.

On June 18, 2009, we filed a suit styled *JTH Tax, Inc. v. David and Julie Blum*, (Case No. 2:09cv289) in the United States District Court for the Easter District of Virginia, Norfolk Division. We alleged that the defendants breached their franchise agreement with us by filing suit against us in Utah, by seeking punitive damages, and by not paying monies owed to us. We sought $550,000 and an injunction to enforce any post-termination duties that the Blums may breach if we terminated them during the pendency of the litigation.

On June 25, 2009, we and the Blums entered into an Agreement of Purchase and Sale and Settlement Agreement whereby we bought back from the Blums their franchise territories and paid to them $12,353.60 after setting off debts owed to us from the $104,000 purchase price, the parties exchanged releases and agreed to dismiss both lawsuits with prejudice.

Commonwealth of Virginia ex. rel. State Corporation Commission v. JTH Tax, Inc., (Case No. SEC-2008-00087). We received a letter dated September 17, 2008 from the Virginia State Corporation Commission ("SCC") which claimed that our previous non-disclosure of *Commonwealth of Virginia ex. rel. State Corporation Commission v. JTH Tax, Inc.*, (Case No. SEC-2008-00024)("prior matter") in our Franchise Disclosure Document, which is now disclosed below, constituted a violation of the Virginia Retail Franchising Act ("Act") and regulations thereunder. We denied that such non-disclosure was a violation of law as the settlement was not of an "action." The SCC demanded that we admit to the allegations against us, mail a copy of the Commission's Order in the prior matter to all franchisees, present as well as those who left for any reason within thirty days of the date of the Order settling the prior matter, pay monetary penalties of $50,000 and agree not to violate the Act in the future. In December 2008, we settled this matter whereby we agreed to pay a $10,000 penalty, mail a copy of the Settlement Order of the prior matter to all franchisees who purchased a Liberty Tax Service franchise in Virginia between March 5 and September 29, 2008, amend our disclosure document by January 15, 2009 to disclose this settlement, and not violate the Act in the future.

Commonwealth of Virginia ex. rel. State Corporation Commission v. JTH Tax, Inc., (Case No. SEC-2008-00024). Based on an investigation conducted by the Division of Securities and Retail Franchising of the Virginia State Corporation Commission, the Commonwealth alleged that we violated the Virginia Retail Franchise Act (the "Act") of the Code of Virginia with respect to certain dealings that we had with a former Richmond, Virginia area franchisee. To resolve the matter we entered into a Settlement Order in March 2008 wherein we agreed to pay $4,000 costs of investigation and not violate the Act in the future.

Jerome Reed v. Liberty Tax Service, Inc., et al., (Case No. C-302-06) filed on March 13, 2007 in the Superior Court of New Jersey, Middlesex County. A former franchisee of ours alleged that we did not inform him of the debts he owed to us and we terminated his territories. He sued for Unfair Practice, Breach of Contract, Bad Faith, and Unconscionable Contract. He sought rescission, restitution of all monies paid to us, unspecified compensatory and punitive damages, attorney's fees and costs.

We removed this case to the United States District Court, District of New Jersey. We also filed a Motion to Transfer Venue to the United States District Court, Eastern District of Virginia, Norfolk Division, which was granted.

On April 4, 2007, we filed a case styled JTH Tax, Inc. v. Jerome Reed (Case No. 2:07cv169) in the United States District Court for the Eastern District of Virginia. We alleged that Reed breached his franchise agreement by filing suit in the Superior Court of New Jersey, Middlesex County and seek $150,000 in damages. The Court consolidated this case with the action that Reed filed against us and trial was set for March 2008. In February 2008, we settled all matters in controversy by paying to Reed $45,000, the parties exchanged releases, and dismissed all claims and counterclaims with prejudice.

Ardor Ventures, Inc. et al. v. JTH Tax, Inc., (Case No. CL07-0318) filed on January 23, 2007 in the Circuit Court for the City of Virginia Beach, Virginia. A franchisee of ours alleged that we committed a violation of the Virginia Franchise Act, the Virginia Anti-Trust Act, a breach of the duty of good faith and fair dealing, and fraud in selling a second territory which we allegedly knew had no suitable office site in it. Ardor Ventures sought $36,000 damages trebled to $108,000, a $100,000 civil penalty, cancellation of its franchise agreements and promissory note, attorney's fees, prejudgment interest and $350,000 punitive damages. In November 2007, we settled all matters in controversy by agreeing to pay to Ardor $26,000, the parties exchanged releases, and dismissed all claims and counterclaims with prejudice.

Kenneth Harmon et al. v. JTH Tax, Inc. et al., (Case No. 05-57246; Adv. Proc. No. 06-05132) filed on or about June 8, 2006 in the United States Bankruptcy Court, Northern District of Ohio, Eastern Division. The Harmons, tax customers of a Liberty office in 2006, alleged in a purported class action that we and three banks wrongfully cross collected $574.97 from their $4,033 tax refund in violation of the bankruptcy laws. The Harmons sought at least $25,000 compensatory damages, punitive damages in excess of $75,000, plus unspecified attorneys' fees for their own claim, as well as a minimum of $5,000,000 compensatory damages, punitive damages in excess of $15,000,000, and at least $12,000,000 attorneys' fees for the class claims. On January 24, 2007, this case settled whereby we paid $575 and the two banks who were also sued paid $5,925 in total in exchange for a release and dismissal with prejudice.

Terrence Halligan v. Liberty Tax Service Inc., (Case No. CI-00-01-21090), filed December 15, 2000 in the Queen's Bench, Winnipeg Center. Halligan, a franchisee of our Canadian subsidiary

Liberty-Canada to whom Liberty-Canada had sent a notice of termination, alleged that Liberty-Canada wrongfully purported to terminate his franchise agreements because of his refusal to adopt the "Liberty Tax Service" name and as a result Liberty-Canada breached his contract and tortiously interfered with his business. He sought a declaration that Liberty-Canada's purported termination of him was a nullity, injunctive relief, damages, punitive damages, costs and attorney's fees. At the conclusion of a preliminary injunction hearing on January 24, 2001 the Court granted most of the interim relief which Halligan had requested and ordered Liberty-Canada not to prepare tax returns in his territories, not to solicit or divert his clients, to give Halligan the services and support specified in his franchise agreements, to offer to Halligan the Taxrush Agent Funding Agreement on the same terms and conditions made available to other franchisees, not to interfere with Halligan's telephone listing and to restore them, and to list Halligan's franchise locations and telephone numbers in all telephone directory advertising. However, Liberty-Canada did not need to provide advertising support for the name "U&R Tax Service", nor renew Halligan's sublease at one of his locations, nor vacate a leased premises which Liberty-Canada occupies in one of Halligan's territories. Trial took place in June 2003 on the limited issue of whether Liberty-Canada had the right to terminate Halligan over his refusal to change his name to Liberty. The Court held that Liberty-Canada had no right to terminate Halligan over his refusal to adopt the Liberty name. The Court in March 2006 also awarded to Halligan compensatory damages of $84,538, punitive damages of $200,000, interest and costs. Halligan and Liberty-Canada settled this matter in May 2006 whereby Liberty-Canada paid $250,000 to Halligan and Halligan agreed to stop using "U&R" trademarks. We are not a party to this action.

Republic Financial Services, LLC et al. v. JKS Holding Corp. and JTH Tax, Inc. d/b/a Liberty Tax, (Case No. 01CI02804) filed April 24, 2001 in the Circuit Court of Jefferson County, Kentucky. The plaintiffs alleged that JKS, our former wholly owned subsidiary which is now dissolved, entered into a written contract whereby JKS agreed to purchase 50,000 refund anticipation loans from Republic between October 14, 1999 and October 13, 2001 yet in fact purchased no loans from Republic. Republic sued for breach of written contract against JKS and sought to hold JTH liable by virtue of its alleged possession and control over JKS. Republic sought unspecified compensatory damages, plus costs and attorney's fees.

The parties reached a tentative settlement of this matter whereby we agreed to pay $395,000 to Republic, exchange releases, and dismiss the claims. Certain disputes arose between the parties as to that settlement but by order of the court in January 2005, the court enforced the settlement and we paid $395,000 to conclude this matter.

Kim & Dennis Keefe v. JTH Tax, Inc., John Hewitt & Patrick Kranz, (Case No. CT 04-005849) filed on April 22, 2004 in the State of Minnesota, County of Hennepin, Fourth Judicial District Court. The Keefes, former franchisees of ours, sued us, our CEO and an Area Developer of ours alleging that we and our CEO fraudulently induced them to buy franchises and violated the Minnesota Franchise Act in inducing them to buy franchises. The Keefes alleged that we breached our contract and breached the implied covenant of good faith and fair dealing with them by refusing to provide appropriate assistance and support and that our Area Developer assumed these contractual duties and therefore was also liable for these breaches. The Keefes sought rescission, damages in excess of $50,000, attorney's fees and costs.

On September 2, 2004 we filed a case styled *JTH Tax, Inc. v. Dennis Keefe*, (Case No. 2:04cv527) in the United States District Court, Eastern District of Virginia. We alleged that Keefe breached his in-term and post-termination contractual duties to us and committed trademark infringement by continuing to use our marks after termination. We sued for $80,000 plus a preliminary and permanent injunction.

In November 2004 the parties settled all matters in controversy when the Keefes agreed to sign an Agreed Permanent Injunction Order to comply with their post-termination duties, we paid to the Keefes $42,000, the parties exchanged mutual releases, and dismissed all claims with prejudice.

Orrtax Software, Inc. et al. v. JTH Tax, Inc., (Case No. 75 Y 181 00076 04 JUSC) filed March 1, 2004 before the American Arbitration Association in Seattle, Washington. Orrtax sought $2,000,000 claiming that we improperly cancelled a software license agreement with them and improperly repudiated our duty to pay the remaining $2,000,000 balance under the agreement.

On March 19, 2004, we filed a defense and a counterclaim where we asserted that, based upon Orrtax's failure to deliver two software programs to us called for under the agreement, and other breaches and fraudulent inducement, that we were entitled to rescission and damages in the amount of the $2,000,000 already paid.

In July 2004, the parties reached a settlement whereby we paid to Orrtax $1,680,000, we renewed our software license with Orrtax with some modifications, and we exchanged mutual releases and dismissed all claims with prejudice.

Larry Simpson et al. v. Nelson Norris, et al., (Case No. 03cv125339) filed March 6, 2003 in the Circuit Court of St. Charles County, Missouri. A former franchisee of ours filed suit against us and five of our Missouri franchisees and alleged that we fraudulently induced him to buy his franchise, failed to offer him proper support and committed other breaches and tortious interference against him, and improperly terminated him by not giving him sufficient notice before termination pursuant to a Missouri statute. Simpson alleged that the local franchisees improperly advertised in his territory. Simpson sought unspecified damages.

On April 28, 2003 we filed a case styled *JTH Tax, Inc. v. Larry Simpson*, (Case No. 2:03cv323) in the United States District Court for the Eastern District of Virginia, Norfolk Division. We alleged that Simpson breached his franchise agreement with us by failing to file his lawsuit against us in a Virginia court, failing to pay all amounts due to us, failing to abide by his post-termination non-compete, and other breaches. We sought a permanent injunction and damages in the amount of $400,000.

In August 2003 the parties reached a settlement of all claims whereby we agreed to pay Simpson $10,000, Simpson agreed to return his client files and Operations Manual and the parties exchanged releases and agreed to dismiss all claims with prejudice.

David Marazita & Kenneth Russell v. Tax Depot Inc., (Case No. 00-GD-48430) filed March 3, 2000 in the Superior Court of Justice, Windsor, Ontario. The plaintiffs were former franchisees of Tax Depot Inc., the predecessor in interest to Liberty-Canada. The plaintiffs alleged that Tax Depot, Inc. agreed to transfer to them in connection with the purchase of franchises an exclusive customer list yet breached its duty to do so. The plaintiffs sought unspecified damages. The defendant denied the claims and asserted a counterclaim seeking $200,000 based on the plaintiffs' breaches of franchise agreement.

In June 2003, the plaintiffs discontinued all of their claims, and gave a Release to the defendant without any payment or consideration in exchange. We were not a party to this litigation.

ITEM 4
BANKRUPTCY

No bankruptcy is required to be disclosed in this item.

ITEM 5
INITIAL FEES

Option 1- $40,000 Franchise Fee:

The initial and resale franchise fees are $40,000. The initial franchise fee applies when a territory is first sold. The resale franchise fee applies to a territory previously sold. Except as explained in Item 10 concerning expansions of existing franchisees, if you choose to pursue this franchise opportunity, you must submit a minimum of 20% of this fee as a deposit after you have held this disclosure document for at least 14 calendar days. We will refund this deposit to you upon your request at any time before you attend Effective Operations Training. Except as to any portion we financed, you must submit to us the balance due before attending Effective Operations Training. We will refund to you the initial or resale franchise fee (including deposit) if we do not approve your application or if you do not pass our Effective Operations Training in accordance with our current passing standards for Training, provided that you return to us all materials which we distributed to you during Training. Otherwise, the initial or resale franchise fee is fully earned and nonrefundable when both you and we execute the franchise agreement between us.

Option 2- $2,500 security deposit:

You must pay to us a $2,500 security deposit after you have held this disclosure document for 14 calendar days. We will refund this deposit to you upon your request at any time before you attend Effective Operations Training (“EOT”). You must submit the security deposit to us before attending EOT.

We will refund the security deposit to you if we do not approve your application or if you do not pass our EOT in accordance with our current passing standards for EOT, provided that you return to us all materials that we distributed to you during EOT. Also, we will refund this security deposit to you upon completion of the five year term of this Agreement, or the sale of the Territory, whichever occurs first, provided that we first apply the security deposit to any monies you owe to us, then remit any balance to you.

Normally, you are limited to purchasing one territory per year under this option, subject to Area Developer approval, and must open the territory by January 8 of the following year. If you do not open the territory then, we retain the security deposit and do not apply it to any monies that you may owe to us.

We do not pay interest on the security deposit.

Territories containing existing outlets:

Territories with existing operations (developed territories) cost more. In general, the price is 130% of annual Net Fees (Gross Receipts, as defined in the table below, less discounts and sales tax) of the territory. The price may vary and we base it upon average fee, market share, growth potential, length of time in business, and other pertinent market conditions. If you purchase an existing office, you must sign both the franchise agreement and a Purchase and Sale Agreement. See Exhibit E, which contains both the template of a Purchase and Sale Agreement as to sales of territories from us ("Liberty Tax Sells") and a template you and the Seller may elect to use for the sale of a territory from an existing franchisee ("Franchisee Sells").

You pay us or our affiliates no other fees or payments for services or goods before your business opens.

ITEM 6
OTHER FEES*

Fee	Amount	Due Date	Remarks
Royalties	**<u>Option 1- $40,000 franchise fee:</u>** 14% of Gross Receipts subject to the following minimums: First year- minimum $5,000 Second year- minimum $8,000 Third year and beyond - $11,000 minimum **<u>Option 2- $2,500 security deposit:</u>** 25% of Gross Receipts subject to the following minimums: First year- minimum $6,000 Second year- minimum $9,000 Third year and beyond - $12,000 minimum	Royalties are due on 5th day of month with any balance owed to achieve Minimum royalty due May 5th for fiscal year ending April 30th.	Gross Receipts means all revenue from all services and products offered (including revenue from individual, corporate, estate and partnership tax returns), excluding only customer discounts and sales tax, but not service fees for credit card transactions. If you select Option 2, the $2,500 security deposit option, after five years, the royalty rate reverts to the Option 1 royalty rate of 14% along with associated minimum royalties for Option 1. Please see Exhibit B, Schedule B-5, for details.
Advertising	5% of Gross Receipts	5th day of month	See definition of "Gross Receipts" above.
Wal-Mart License Fee	**<u>Kiosk within Super Center:</u>** $3,900 per tax season **<u>Kiosk within Discount Stores:</u>**	Half of the License Fee is due by January 1 and the other half by April 30.	The License Fee dollar amounts are based upon compliance with Wal-Mart's Discounted Services program. In the event of non-compliance with the Discounted Services program, the License Fees

	$2,900 per tax season **<u>Kiosk within Neighborhood Markets and Express Stores:</u>** $1,900 per tax season		are double the amounts stated here. See Exhibit D-3.
K-Mart Tax Season Kiosk Rent	Full Season Fees-$3,200 Peak Season Fees-$2,000 Incentive Fees-$1000 if 100-200 returns are prepared; or $1500 if 201-300 returns are prepared; or $2000 if 301-400 returns are prepared; or $2500 if 401+ returns are prepared.	Full Season Fees-Payable in four equal $800 installments due January 15, February 15, March 15, and April 15. Peak Season Fees-Payable in two $1,000 installments due January 31 and February 28. Incentive Fees are payable May 15.	Full Season Fees apply for operation throughout tax season. However, if you operate only from January 2-February 28, then Peak Season Fees will apply in lieu of Full Season Fees. In addition, Incentive Fees apply to all Kmart Kiosk operations. See Exhibit D-3.
Sears Tax Season Kiosk Rent	18.2% of Gross Receipts	Billed on the 1st day of each month February 1 – May 1.	See Exhibit D-3.
Ace Cash Express Rent	Full Season-$2,000 Peak Only-$1,500	Full Season or Peak Only rent is due December 31.	See Exhibit D-3.
Family Dollar Stores Placement Fee	$975	January 1, 2013	
Guerrilla Marketing Boot Camp-On-Site	The fee varies based upon when the Camp takes place as follows: January/February-$1500 March/April-$500	Billed on the 1st day of the month following the Guerrilla Marketing Boot Camp.	
Exclusion of Pre-Existing Clients	$5 per client	Upon closing of franchise purchase	You may pay to us a one-time fee of $5 per client in your existing tax practice and as a result exclude future tax preparation fees of these clients from Gross Receipts. See Exhibit B, Schedule B-1.
Transfer Fee	$5,000 per territory	Upon transfer of business	See Exhibit B, Section 4.h.

Commission Fee	10% of the sales price, subject to a minimum of $5,000	At time of sale of your business	If you elect to ask our assistance to sell your franchise and we find a buyer, you must pay us this fee per territory sold.
National Call Center	$.50 –Appointments $1.50-Tax School $3.75-customer follow up $5.25- Tax School kit sent	Billed by the 15th of the month for services performed the prior month	If you elect to have us handle calls through our Call Center, these are the fees per call that we charge. See Exhibit B, Section 4.m.
Customer Refunds, Penalty & Interest, unpaid Send a Friends	The amount of tax preparation fee, Financial Product fees, misdelivered check amount, penalty and interest, or unpaid Send a Friend or E-Send a Friend.	Upon receipt of invoice	If you do not resolve a customer complaint or pay penalty and interest on an erroneous return, or deliver a check to the wrong customer, or do not pay a Send a Friend or E-Send a Friend, we may issue a refund of fees paid by the customer, pay to the customer the penalty and interest, reimburse the customer for the misdelivered check, or pay the Send a Friend, and bill you. You agree to pay the charges. See Exhibit B, Section 4.i.
Change to opening schedule in multi-territory stipulation	$3,500	At time of approval of change	Although we are under no obligation to do so, we may approve a change to your opening schedule in a multi-territory stipulation upon the payment of this fee. See Exhibit B, Schedule B-2.
Try Before You Buy	14% royalty and 5% advertising fee on Gross Receipts	Payable on the 5th day of each month as to Gross Receipts for the preceding month	If you are an existing franchisee in compliance with your franchise agreement, and we consent, you may pay these fees for the one time operation of a nearby territory. See Exhibit B, Schedule B-3.
Rent to Own	You must pay to us a royalty of 14% of Gross Receipts, subject to a $5,000 minimum, and an advertising fee of 5% of the Gross	Royalties are due on 5th day of month with any balance owed to achieve Minimum royalty due May 5th for	See Exhibit B, Schedule B-4.

	Receipts	period ending April 30th. Advertising fees are due the 5th day of each month.	
Sales or Gross Receipts Tax	If required by the state or locality in which your Territory is located, the initial franchise fee, royalties, and advertising fees will be subject to sales or gross receipts tax.	Due at the same time and in the same manner as franchise fees, royalties and advertising fees to us.	See Exhibit B, Section 4.k.
Transmitter, Electronic Filing or Software Fee	$20 per tax return, presently limited to those returns requesting a Financial Product	Due when the product is funded by the Provider	We reserve the right to impose a fee charged to you or customers related to Financial Products, electronic filing of tax returns or the provision of software and, if charged to customers, may rebate a portion of the fee to you. We may vary the amount of the fee and may change its name. See Exhibit B, Section 4.l.
Cash in a Flash Financing Set Up Fee	$55 for entities who own a single office; $100 for all other entities	Billed on the 15th of the month following the set up of financing	See Exhibit B, Section 4.n.
Assessment Related to Under-statement of Revenues	The costs of the review	Billed on the 15th of the month following the assessment	If you under-report Gross Receipts to us by more than 2% or we review your operations as a result of your failure to maintain or provide records to us, you must pay to us the cost of the review. See Exhibit B, Section 4.o.

*Except where otherwise specified, we impose all the fees in this table, you pay them to us, and we do not refund them.

ITEM 7
ESTIMATED INITIAL INVESTMENT*

YOUR ESTIMATED INITIAL INVESTMENT

	Amount- Option 1- $40,000 Franchise Fee	Amount- Option 2- $2,500 Security Deposit	Method of Payment	When Due	To Whom Payment is to be Made
Initial or Resale Franchise Fee	$40,000 (Note 1)	$0	Check	Upon signing of franchise agreement	Us
Security Deposit	$0	$2,500	Check	Upon signing of franchise agreement	Us
Initial Advertising	$5,000 - $7,500	$5,000 - $7,500	Check/Charge	Before and after opening	Us, Third-party Vendors & Marketers
Travel and Living Expenses While Training	$100 - $2,500 (Note 2)	$100 - $2,500 (Note 2)	Check/Charge	Before opening	Third-party Vendors
Equipment & Furniture	$2,000 - $3,000 (Note 3)	$2,000 - $3,000 (Note 3)	Check/Charge	Before opening	Third-party Vendors
Signs	$500 - $1,000 (Note 3)	$500 - $1,000 (Note 3)	Check/Charge	Before opening	Third-party vendors
Rent	$3,000 - $6,000 (Note 4)	$3,000 - $6,000 (Note 4)	Check	Monthly	Landlord
Payroll	$3,000 - $5,000 (Note 5)	$3,000 - $5,000 (Note 5)	Check	Bi-weekly	Employees
Insurance	$200 - $400	$200 - $400	Check	Before opening	Insurance Agent/Company
Additional Funds – 3 months	$3,000-$4,500 (Note 6)	$3,000-$4,500 (Note 6)	Check/Charge	As incurred	Suppliers, Utilities, etc.
TOTAL	$56,800- $69,900 (Note 7)	$19,300 - $32,400 (Note 7)	(Does not include royalties, advertising fees or interest expense)		

*The initial and resale franchise fee and security deposit are refundable upon the conditions described in Item 5 above. Otherwise, none of the expenses described in this chart are refundable.

Note 1: Please see Item 5 for a description of the separate pricing applied to territories containing offices that previously operated.

Note 2: Travel and living expenses will vary significantly depending upon whether you live in the local area and are local to a Liberty office offering Hands on Training ("HOT"), or whether you must drive a distance, fly, rent a car, or incur lodging expenses. The cost of air travel varies considerably upon time of year, city of origination, how far in advance you purchase your ticket, and other factors. Virginia Beach is a resort city and motel prices may also be higher at peak times. Travel costs associated with Hands on Training will vary. Low figures are for a local commuter with only meals and minimal travel expenses. We base the high figure upon flying to training, lodging at a mid-grade motel in Virginia Beach, Virginia, a compact rental car and $500 of expenses to attend HOT, though your cost may be less. We also strongly encourage you to come to a one to two day open house seminar, typically in Virginia Beach but sometimes offered elsewhere, as part of the process through which you and we consider if this franchise is right for you. The travel and lodging costs of any open house seminar are not included in the above figures.

Note 3: Standard office equipment and furniture such as computers and desks, and signs, are necessary to operate the franchised business. We base estimated initial investment upon your using a lease to acquire these items. If you purchase equipment, furniture, and signs, approximate cost will be $8,000 to $10,000.

Note 4: A typical office is 1,000 to 1,200 square feet. Rent varies depending upon office size, location and market conditions in your area. If you make renovations, repairs or improvements to the property, you will incur additional expense which is not included in the above dollar amounts.

Note 5: Wage rates vary by market areas. In California, Maryland, and Oregon, your payroll will likely be significantly higher due to state laws applicable to tax preparers.

Note 6: Additional funds are to pay government fees, miscellaneous supplies, utility costs, security deposits, internet access, professional expenses, and other items. We base this estimate upon the experience of our management in the tax industry.

Note 7: These figures are estimates of your initial expenses covering three months from November 1 through January 31. We cannot guarantee that you will not have additional expenses starting the business. Do not construe the estimates as a break-even point. Your costs will depend on: how well you follow our methods and procedures; your management skills, experience and business acumen; local economic conditions; the local market for our services; the prevailing wage rate; competition; and the sales level reached during the initial period. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

1. **Purchase from JTH.**

Software. You must use the computer software that we provide or recommend. See Exhibit D-2.

Financial Products. The term "Financial Products" refers to Refund Anticipation Loans ("RALs") or Instant Cash Advance loans ("ICA loans") and Electronic Refund Checks ("ERCs"), as explained further below. These products allow a customer to receive a loan or tax refund more quickly through use of electronic filing of a tax return. Typically, Financial Product customers also elect to pay for tax preparation and other fees out of the loan or refund, rather than at the time of tax preparation.

RAL or ICA loan. A RAL or ICA loan is a loan to a tax customer for a portion of their expected tax refund, less fees, which the customer typically receives within one or two days of electronic filing of the tax return. A customer must qualify for a RAL or ICA loan under the lender's underwriting criteria.

ERC. An ERC is the customer's actual tax refund, net of fees, which according to IRS data, the customer typically receives within 10-21 days of electronic filing of the tax return.

If we negotiate an arrangement with a third party provider for the provision of Financial Products, you must use this provider to provide Financial Products to your customers. If we enter into arrangements with more than one provider, we select which Liberty offices will use each provider. During calendar year 2013, we had arrangements with Santa Barbara Tax Products Group, LLC, JTH Financial, LLC, 1st Money Center, Inc., and RPFG, LLC to provide Financial Products for our offices. To offer Financial Products, you must sign a separate agreement with the provider and agree to abide by the provider's rules. See Agreements attached at Exhibit D-1. If your loan default rate is unacceptably high, based upon the levels experienced at the time by other offices and the provider, the provider or we may discontinue allowing you to offer loans or other Financial Products.

Electronic Filing. If we provide or recommend a source for electronically filing tax returns, you must utilize this source. You must receive a valid EFIN from the IRS to take advantage of electronic filing.

Debit card. If we provide or recommend a source for debit cards onto which to load tax refunds ERCs, or RALs, you must use this source if you wish to offer debit cards. At present, we have an arrangement with NetSpend Corporation to provide a debit card program. To participate in this program, you must agree to the terms contained in the Franchisee Card Program Agreement attached here as Exhibit D-6.

2. JTH Approval Required.

Products and Services. For the duration of your franchise, you are restricted from offering products or services through this franchise other than the franchise services, unless you receive our prior written consent.

Site. You must lease or use retail office space sufficient to operate the franchise. We must approve the location of your site prior to your signing any leases or operating from a site. Provided that we approve the location of your site, you may lease from any landlord that you determine to be appropriate.

Signs. You must display an exterior lighted sign as approved by Liberty Tax at each of your offices. You can purchase a sign from any vendor, but we must pre-approve the sign.

Advertising and Marketing. You must use the Liberty trade names, service marks and trademarks ("Marks") as we develop them. At this time, our Marks include "Liberty Tax Service," "Liberty Tax," and "Liberty Income Tax." **You must obtain our written consent before using our Marks in any way and before using any marketing or promotional material.** You cannot use any marks that could be confused with our Marks. If we replace, add to or modify our Marks, you agree to update or replace your signs, supplies, etc. to reflect the new marks, at your expense. We must approve all advertising and marketing materials before you use these materials. You may purchase these materials from any vendor. **You may not use the word "Liberty" as any part of the name of a corporation, LLC or other entity (except as your "doing business as" name for an entity that owns this franchise, sometimes also called your "assumed name," "trading as" name, or "fictitious name," and then only in the manner we specify in the Manual), nor may you have a website for your Liberty business.**

Domain Names. You are not allowed to have an independent website, but we provide to you a unique url through our website which, at present, can include two photos and 3,000 characters of text. You submit both the photos and text to us and we have the right to approve or disapprove.

3. JTH Specifications.

Equipment. You must obtain and maintain a computer system that meets our then current specifications. All work stations, including tax return preparation and processing computers, must be purchased from our approved vendor and meet our then-current specifications. Specifications may include a particular brand. We may update the specifications from time to time. When the specifications are updated, you must either update or upgrade the computer systems, at your sole cost, to meet our then-current specifications. Specifications will not be updated during a tax season except upon an emergency, as reasonably determined by us.

Furniture. You must purchase or obtain furniture. You may obtain furniture from any source. At present, we do not specify a particular make or model but reserve the right to do so later in our Operations Manual.

Supplies. You must purchase office supplies, including those items listed as required in the Operations Manual. You may purchase these supplies from any vendor. However, if the supplies use our Marks, you must send to us a picture or other suitable visual illustration and we will contact you with approval, needed changes, or disapproval within approximately one to five business days.

Insurance. In addition to purchasing insurance as required by your state laws, you must obtain comprehensive general liability in the amount of at least $1,000,000 per office and employer's liability with a limit of at least $1,000,000 per office. You may purchase insurance from any vendor. You must name us as an additional insured on these policies. If you operate a kiosk in a third-party's store location, additional insurance requirements may apply, at a higher cost.

4. JTH Approval Process

The Operations Manual and our intranet, Zeenet, detail the specifications and approval process for products and services that require our approval. For example, we base site approval upon the location meeting certain criteria required for our offices, such as visibility and customer access. We generally approve signs and marketing materials if the use of our trademarks and logos is accurate, and if the materials are in compliance with legal requirements. Specifications for computer equipment depend upon the needs of technology to support existing software and processes. We may establish supply and furniture specifications to obtain consistency in franchise services. We do not have a supplier approval or disapproval process, as you are free to use any supplier for equipment, supplies and furniture, except your processing computer and all work stations, as described below.

For most advertising material, such as coupons, brochures, and print ads, we have implemented an Ad Builder system. Under this system, you log in to Zeenet and select from the AdLib ad builder system the type of product and artwork that you want, select from available templates, and enter any information that is permitted, such as your office address. Ad Builder automatically sends a proof of the ad to us which we will approve or reject with explanation, normally within two business days. Once the ad is approved, you will be able to download the artwork and send it to the vendor of your choice to produce.

We negotiate purchase arrangements with outside suppliers so you may purchase pre-approved marketing material, furniture, equipment and supplies that meet our specifications and offer possible volume discounts.

5. JTH and Affiliate Provided Products and Services

Affiliates. Our affiliates are not presently approved suppliers.

Financial Products and Electronic Filing. If we provide or recommend a source for Financial Products and/or electronic filing, you must use the recommended source.

Equipment. We are an approved supplier of equipment, but you do not have to purchase equipment from us.

Furniture. We may recommend an approved supplier of furniture, but you do not have to purchase furniture from this supplier.

Office Lease. Under certain circumstances, we may offer to you to sublease or assign office space to you, but you are not obligated to lease space from us, our affiliates, or any designated lessor.

Processing and Tax Preparation Computers. You must purchase your processing and tax return preparation computers from our approved vendor.

Signs. We may recommend an approved supplier of signs, but you do not have to purchase signs from this supplier.

Software. We or our designated third party are the only approved supplier of computer software for tax return preparation, electronic filing and the provision of Financial Products.

Supplies. We are an approved supplier of supplies, but you do not have to purchase supplies from us.

Telephone listings, advertisements and internet directory programs. You must purchase your telephone listings, advertisements and internet directory programs through any required service provider that we may designate for such purchases. As of the date of this Franchise Disclosure Document, we have designated Fairway Group for such purchases.

Officer Interests in Suppliers. The following officers own an interest in us: John Hewitt, Martha O'Gorman, Kathleen Curry, Charles E. Kirkpatrick, Mark F. Baumgartner, T. Rufe Vanderpool, James Wheaton, David Miller, and Marty Mazer.

6. Revenue Derived from Products, Services

During our fiscal year ending April 30, 2012 we did not receive revenues for supplies and products purchased from us. We have arrangements with a third party supplier, Office Max, whereby in the fiscal year ended April 30, 2012, they paid to us $227,341 of purchases that franchisees made from them. We do not provide material benefits to you based on your use of a particular supplier.

7. Percentage of Total Purchases

We estimate that required purchases and leases from us will be less than 20% of the total purchases and leases that you will make in establishing and operating your franchised business.

8. Cooperatives

At this time, we do not have any purchasing or distribution cooperatives.

ITEM 9
FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the franchise and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this disclosure document.

Franchisee's Obligations	Section In Franchise Agreement	Item in Disclosure document
a. Site selection and acquisition/lease	3, 5	8
b. Pre-opening purchases/leases	5, 6	8
c. Site development and other pre-opening requirements	5, 6	8, 11
d. Initial and ongoing training	5, 6	11, Exhibits D-1 and D-6
e. Opening	6; Schedules B-2 to B-4	11
f. Fees	4; Schedules B-1 to B-5	5, 6, 12; Exhibits D-1, D-3 & E
g. Compliance with standards and policies/Manual	6; Schedules B-3 to B-5	8, 11, Exhibits D-1 and D-6
h. Trademarks and proprietary information	6, 9, 12	13, 14, 16, Exhibits D-1, D-3, D-5, D-6, and I
i. Restrictions on products/services offered	5, 6	8, 11, 16, Exhibits D-1 and D-3
j. Warranty and customer service requirements	4, 6	6, Exhibits D-1 and D-6
k. Territorial development and sales quotas	6; Schedules B-1 to B-4	12, 15

l. Ongoing product/service purchases	5, 6	8
m. Maintenance, appearance & remodeling requirements	6	
n. Insurance	6	8, Exhibits D-3 and D-6
o. Advertising	4, 5, 6	8, 11, 12, Ex. D-6
p. Indemnification	13	15, Exhibits D-1, D-3 and D-6
q. Owner's participation/management/staffing	6	15
r. Records and reports	4, 7	Exhibits D-1 and D-6
s. Inspections and Audits	4, 7	Exhibits D-1 and D-6
t. Transfer	15; Schedule B-5	17, Exhibits D-3 and D-4
u. Renewal	2	11, 17
v. Post-termination obligations	9, 10; Schedules B-1 and B-4	16, Exhibits D-1, D-6 and I
w. Non-competition covenants	9, 10; Schedule B-1	15, 16, 17, Ex. D-6
x. Dispute resolution	17	17; Exhibits C, D-1 and D-6

ITEM 10
FINANCING

Franchise Financing. We may, in our sole discretion, provide financing to you that may be used to finance a portion of your initial franchise fee, operating capital, or the initial franchise fee of additional territory purchases by existing franchisees.

If you own your franchise in a corporation, limited liability company ("LLC") or partnership, we will not generally lend half or more of the initial franchise fee to you and it may be more difficult to obtain further financing from us later if you request it.

Whether we will extend financing and the amount will vary depending upon the availability of funds, your creditworthiness, the purposes for which you intend to use the money, the tax preparation market conditions in your area, and your compliance with your franchise agreements with us. If we provide financing to you, you must submit monthly financial information to us, such as an income statement, balance sheet, and supporting documents, as we specify from time to time and in the formats we specify.

Cash in a Flash Financing. If you are in compliance with your franchise agreement, you may apply to us for Cash in a Flash promotional funds. The financing terms for the Cash in a Flash Financing are the same as those described in "Financing Terms" below except that the funds lent at the beginning of each tax season must be repaid to us no later than February 25 of the same tax season.

Financing Terms. The interest rate for all financing is typically 12%. Financing must typically be repaid over four years through four annual payments. We do not require a security interest. You or, in the case of an entity, your principals, must personally guarantee the debt. You may prepay the financing without penalty. You waive a right to trial by jury in litigation, the homestead and any other available exemption, presentment, demand, protest, notice of dishonor and any other notice. If you default on amounts owed, we can accelerate the obligation to pay the entire amount due, seek our collection costs, including attorney's fees, from you, and terminate your franchise agreement. See Exhibit C. All of the revenue that you are to receive from the funding of Financial Products shall initially be paid directly to us, rather than to you. We will deduct from this revenue monies that you owe to us and deduct and hold monies to apply to upcoming amounts due to us, and remit the balance to you. We have a practice of using financing instruments as collateral for lines of credit and we are free to sell, assign or discount these instruments to third parties. If we assign our rights under financial instruments, we intend to remain primarily obligated to provide the financial goods or services specified in these instruments. We do not receive direct or indirect payments or other consideration for placing financing with any lender.

At present, our agents and affiliates do not offer any financing arrangements. We do not guarantee notes, leases or your other obligations to third parties except upon exceptional circumstances. We may guarantee leases for office space that we assign to you if required by the landlord.

Leasing. We do not have a written arrangement with a leasing company nor receive payment for referring you to a leasing company. However, we can refer you to a company that provides leasing to qualified franchisees to finance furniture, fixtures, signs, equipment, and, to highly qualified franchisees, working capital and franchise fees.

ITEM 11

Franchisor's Assistance, Advertising, Computer Systems and Training

Except as listed below, we are not required to provide you with any assistance.

A. Before Opening.

Training. We provide a minimum five day Effective Operations Training ("EOT") course in Virginia Beach, Virginia which addresses critical aspects of operating an income tax preparation business. Please see the chart following for the course schedule. We hold EOT during select weeks of the year, approximately fifteen (15) times per year. We hold trainings in business conference rooms or classrooms, as well as in a local Liberty Tax office. The instructional material consists of our Operations Manual, PowerPoint presentations, a Policy & Procedures video, vendor handouts, an office visit, and marketing exercises.

You and/or any general manager must attend and successfully complete EOT and HOT, described below, prior to operating a Liberty office. Family members who may be involved in your Liberty franchise may also attend. It is to your benefit to attend EOT shortly after signing the franchise agreement and you must attend EOT before you open for business. We do not charge for EOT or HOT, but you must pay for any expenses that you incur as a result of attending training, such as travel, lodging and meals. (Franchise Agreement, paragraph 5.a.). All attendees at EOT must sign a Confidentiality Agreement before classes begin. Exhibit I.

HOT Training. Through an existing franchisee, we provide a one day Hands on Training ("HOT") at select franchisee locations throughout the United States, after you have attended EOT. HOT covers the steps involved in preparing and processing tax returns, delivering Financial Products, and related office functions. (Franchise Agreement, paragraph 5.a.).

Operations Manual. We offer guidance in the operation of your franchised business in our Operations Manual ("Manual"). We provide you with updates to the Manual electronically. We may amend the Manual at any time to adjust for legal, technical or competitive changes or attempt to improve in the marketplace. You must abide by the terms of the then current Manual. (Franchise Agreement, paragraph 5.b.).

Site Selection. We provide guidance and advice regarding the selection of the location of your office(s). We do not generally own the premises and lease it to you. We require you to select three potential sites and may send a site selector, Area Developer or experienced franchisee to help with this task. We require that you fill out site selection forms and submit them to us through your Area Developer along with pictures of the proposed location. We will then approve or disapprove of the site. You may not sign a lease until we approve the site for your office. We will consider whether the site location includes visibility, accessibility by car or public transportation, reasonableness of the office size for a tax preparation office and other related factors. We intend to approve or disapprove site selections within 14 days of submission to us. If we do not approve a site selection for you, you cannot open for business and we may terminate your franchise. (Franchise Agreement, paragraphs 5.c. and 8.b.(v)). However, upon your return to us of our Manual and any other materials you received from us, we will refund to you any fees you paid to us. In the alternative, you and we may continue looking for a site which we do approve.

Software. We provide tax return preparation software capable of preparing federal and state income tax returns for individuals. (Franchise Agreement, paragraph 5.e.). This software includes recommended prices.

Operational Assistance. We give to you access to Zeenet, our proprietary intranet site containing specifications and assistance for our franchisees. There, you will find our current version of the Operations Manual, employment contract templates to use in the hiring of employees, specifications for technical aspects of the operation of the franchise, Ad Builder, pre-approved products that you can order through vendors with whom we have formed relations, and other information to help you set up and operate your office.

B. After Opening

Tax and Technical Support. We will provide reasonable telephone and/or internet support for your questions regarding federal and state individual income tax return preparation, electronic filing, and the use of software specified by us. (Franchise Agreement, paragraph 5.f.).

Electronic Filing. We will provide the ability to file individual federal and some state tax returns, electronically, provided that such method of filing is reasonably available from the respective taxing authority. You must have a valid EFIN to take advantage of electronic filing. (Franchise Agreement, paragraph 5.g.).

Financial Products. If reasonably available and feasible, we will offer "Financial Products," as discussed in Item 8.A.1. above. Your participation in Financial Products, if we offer them, is subject to a mutual agreement being reached between you, us and the provider of the Financial Products. (Franchise Agreement, paragraph 5.h.).

Marketing. We raise fees related to marketing through the advertising fees paid under the franchise agreement. We will contribute advertising fees for company stores. We disburse advertising fees to develop, produce, distribute and/or conduct advertising programs, marketing programs, public relations, and marketing research. We spend advertising fees on a national, regional or local basis for television, radio, electronic, and print advertising as we determine to be appropriate. We produce advertising in-house and through a local advertising agency. Marketing and advertising programs may include advertising to sell franchises.

We pay all costs of marketing activities, including a share of corporate overhead related to advertising and marketing, with advertising fees. We do not guarantee that you will benefit directly from any advertising or marketing. We make available pre-approved advertising templates which should normally be used. In the event you wish to use other advertising material, we must first approve it for compliance with our specifications for advertising and use of our Marks. (Franchise Agreement, paragraph 5.d.).

For the fiscal year ending April 30, 2012, we spent the following amounts on advertising in the United States:

	Dollar Amount	Percent
Media Placement and Other Direct Marketing	$13,780,896*	78.26%
Administrative Expenses	$ 3,828,118	21.74%
Total	$17,609,014	100.00%

*Includes advertising to sell franchises in the amount of $1,357,160, which is net of $956,491 that we received from our Area Developers to reimburse us for advertising specific to them. For fiscal year ending April 30, 2012, we spent 7.71% of our advertising expenses on advertising to sell franchises. Our franchisees may obtain an accounting of advertising expenditures by sending a written request to the attention of our Accounting Department.

We do not have the power to require the formation, change, dissolution, or merger of any advertising cooperatives.

Operating Assistance. We will provide telephone and email support for you and respond to your questions regarding operational issues. (Franchise Agreement, paragraph 5.i.).

Advanced Training. We will provide and may require your attendance at a one to four day advanced training for experienced franchisees. We may hold this training at various sites that we select across the country or we may offer such training on the web or electronically. The agenda for advanced training varies but often focuses on improving business skills in order to increase profitability. We do not charge for this training, but you must pay for all travel, lodging, and other expenses you incur to attend. We may also require that you attend a reasonable number of toll free conference calls held from time to time to learn the operational and marketing tips. Such calls are normally recorded and made available for online replay. (Franchise Agreement, paragraph 5.j.).

In those areas where we presently or in the future use an Area Developer, for obligations listed in Sections A. and B. above, we reserve the right to delegate some portion of the responsibility for the following duties to the Area Developer: site selection assistance, limited marketing assistance, and operating assistance. See Item 1. However, Area Developers do not have any authority to approve or disapprove marketing or advertising.

C. Computer Requirements

Computer Equipment. All work stations, including tax return preparation and processing computers, must be purchased from our approved vendor and meet our then current specifications. Specifications may include a particular brand. We may update the specifications from time to time. When the specifications are updated, you must either update or upgrade the computer systems, at your sole cost, to meet our then-current specifications. Specifications will not be updated during a tax season except upon an emergency, as reasonably determined by us.

The present equipment requirements are a tax preparation computer at each tax preparer desk, a processing computer in the processing room, one laser printer in the front office, two laser printers in the processing room, and a router.

Software. We provide tax return preparation software capable of preparing federal and state tax returns for individuals. You must use the tax return preparation software we provide. If we negotiate with a third party to provide Financial Products, we provide you with the required software for processing these products. You must use this software to provide Financial Products and services to your customers. Likewise, all electronically filed returns must be filed using our supplied software. We may also require you to purchase other third party software, such as Microsoft Office and valid licenses for the software.

You must also maintain anti-virus, anti-spyware, and firewall software that we specify.

Prohibited Software and Hardware. We need the Liberty system to adhere to certain technical standards and platform consistency in order to operate properly. We prohibit software and hardware that we find to be intrusive to our tax preparation software or disruptive to required telecommunications. We designate the prohibited Software and Hardware within our Equipment Requirements, which can be found on ZeeNet or in the Operations Manual. Our tax preparation software scans for the presence of certain prohibited applications and, if those applications are found, renders the applications inoperable.

Internet Access and E-mail Account. You must establish both an internet connection through a supported vendor, as well as an e-mail account sufficient for communications between you and us. We prohibit wireless networks.

Independent Access to Data. We may cause programs to run on your computer systems that may send information to us. We agree that the use of such programs will not unreasonably interfere with your operation of the Franchised Business and you agree to allow such programs to run without interference by you.

Operations Manual. Exhibit I contains the Table of Contents of the Operations Manual ("Manual"). The Manual presently has 419 pages.

TRAINING PROGRAM

Course[1]	Hours of Classroom Training	Hours of On the Job Training	Location
Introduction • Welcome and Introduction • LTS History and Profile • Industry Description	2 hours		Virginia Beach
Starting a Tax Business • Employer Identification Number • Electronic Filing Identification Number • State E-file requirements • Local Bank Accounts • Service Bank • Insurance Requirements • Business Cards • Business Start-Up Information • IRS E-File Services • Auxiliary Business	1 hour		Virginia Beach
Site Selection • Site Approval • Evaluation Criteria • Rent Guidelines • Lease Negotiation	1½ hours		Virginia Beach
Tax School • Reasons for Holding Tax School • Tax School Courses and When They are Held • Organizing Your Tax School • Recruiting Students and Marketing the School • Tracking Inquiries and Registrations • Converting Students to Employees • Tax Preparer Certification	1 ½ hours		Virginia Beach
Staffing • Job Descriptions and Pay Rates • Hiring Employees • Employment Law • Training Employees • Scheduling Procedures • Productivity • Cross Training • National Office Training	1½ hours		Virginia Beach
New Office Setup • Signage • Physical Characteristics • Office Layout	1½ hours		Virginia Beach

• Office Equipment • Office Hours • Kiosk Panels • Computer Systems • Organization and Cleanliness			
Policies & Procedures • Employee Policies • Legal Policies • IRS Audits • Tax Return Products • Duties of the Receptionist, Tax Preparer and Lead Preparer • Employee Policy and Procedure Handbook • Internal Audit Reviews • Policies and Procedures Training • Requirements for E-file, ERC/ERD, and RAL	3½ hours		Virginia Beach
Advertising and Marketing • Marketing Approval • Marketing Overview • Traits Defining our Customers • Guerrilla Marketing • Paid Advertising • Off Season Marketing and Public Relations • Tracking Results • Common Marketing Mistakes • 50 Low or No Cost Marketing • 4 Pillars • Location, Visibility, Signage • Referrals and Customer Service • 4 Walls Marketing • Client Follow-Up Calls • Wavers • Business to Business	3 hours		Virginia Beach
Hispanic Marketing • Hispanic Certifications	30 minutes		Virginia Beach
Waving • Guerrilla Marketing Techniques	1 hour		Virginia Beach
Business to Business Training • Guerrilla Marketing Techniques	1 ½ hours		Virginia Beach
Bookkeeper Responsibilities • Bookkeeper Duties • Invoices • Daily Receipt Report • RAL/ERC Daily Deposit Report • Gross Receipt Report	1½ hours		Virginia Beach

• Invoice Log • COD, Hold and Other Return Report • Bank Reconciliation • Send a Friends • Promotions			
Management Tools • Report Timetable • Daily Monitoring • Liberty Tax Service Budget • Liberty Tax Service Profit & Loss Statement • Action Plans	1 ½ hours		Virginia Beach
Customer Service • LTS Commitment to Customers • LTS Commitment to Employees • LTS Written Guarantee • Customer Service Policies • Off-season Customer Service • Customer Complaints	1 ½ hours		Virginia Beach
Software Introductions • System Requirements • Office Networking • Libtax • Life of a Tax Return • ZeeNet • Technical Audits • Office Layouts • Online Check Printing	1 ½ hours		Virginia Beach
Processing Center • Equipment and Supplies • Processing Center Layout • Processing Procedures • ICA/ERC Daily Deposit Report • Tips for a Successful Processing Center • Tax Return Assembly	1 ½ hours		Virginia Beach
Supply • Delivery Times • Payment Terms • Ordering Guidelines • Shipping and Mailing Addresses • Online Supply System • Supply Master Timetable • Vendor Links	1 ½ hours		Virginia Beach
A Day in the Office • Guerilla Marketing • Office Visit • Office Procedures • Roadside Parties		3 ½ hours	At a Liberty Tax office near your planned location

• Business to Business • Customer Service • Lifecycle of a Tax Return			
Delegation • Power Sharing • Developing Competence in Your Staff • Delegation in a Tax Office • Follow-up/Monitoring Results • Developing Consistency in Your Office	1 ½ hour		Virginia Beach
Goal Setting • Keys to Personal Growth • The Power of the Made up Mind • Creating a Dream List • Setting Your 1 Year Goals • Setting Your 3 Year Goals • Setting Your 5 Year Goals	2 hours		Virginia Beach

Note 1: Each topic is taught by one or more of the Instructors below, whose business experience is as follows:

John Hewitt, President, Chief Executive Officer and Chairman. See Item 2.

Karen Halman, Director of Training and Tax Education. Ms. Halman has served as our Director of Training and Tax Education since October 2012. From November 2007 until October 2012, Ms. Halman served as our Director of Training. From July 2005 to May 2007, Ms. Halman was a Liberty Franchisee in Norfolk, Virginia. From June 2006 until March 2007, Ms. Halman served as an Operations Specialist for us in Virginia Beach, Virginia.

Susan Wickham, National Site Selection Director. Ms. Wickham has served as National Site Selection Director for us since May 2007. From November 2003 to April 2007, Ms. Wickham also served as a Corporate Area Developer for us in Virginia Beach, Virginia.

Stacey Barnes, Instructor. Mr. Barnes has served as an Instructor since October 2009. From October 2007 until October 2009, Mr. Barnes served as a Corporate Area Developer for us. From March 2004 until October 2007, Mr. Barnes served as our Director of Training. Mr. Barnes also served as an Area Developer with us in Indiana and Kentucky from December 2005 until April 2011.

Brian Panelo, Instructor. Mr. Panelo has served as an Instructor for us since May 2003. From January to February 2013, Mr. Panelo served as a Manager for a Liberty Tax office in Victorville, California.From February to April 2011, Mr. Panelo served as a Marketing Manager for a Liberty Tax Service office in St. Petersburg, Florida. From January to February 2007, Mr. Panelo served as the Manager of a Liberty Tax Service in Cookeville, Tennessee and from February to April 2007, served as the Manager of a Liberty Tax Service in Virginia Beach, Virginia.

Anthony Cali, Instructor. Mr. Cali has served as an Instructor of ours since October 2006. From December 2005 until March 2006, Mr. Cali served as a Processor for a Liberty Tax Service office in Virginia Beach, Virginia. From June 2005 until September 2006, Mr. Cali served as a Technical Support Supervisor for us in Virginia Beach, Virginia.

Teresa "Suzie" Haynes, Instructor. Ms. Haynes has served as an Instructor of ours since March 2008. During the January-April 2008-2013 time frames, Ms. Haynes has served varyingly as a Manager, Tax Preparer, and Processor for Liberty Tax Service offices in Norfolk and Virginia Beach, Virginia. From January 2002 until April 2007, Ms. Haynes served as a Tax Preparer for a Liberty Tax Service office in Virginia Beach, Virginia. From May 2004 until March 2008, Ms. Haynes served as a Business Manager for J. Dewey Willis & Associates in Chesapeake, Virginia.

Krystal Cheatham, Instructor. Ms. Cheatham has served as an Instructor for us since December 2008. From January until April 2009, Ms. Cheatham served as a Tax Preparer and Processor for a Liberty Tax Service in Norfolk, Virginia. From November 2006 until November 2008, Ms. Cheatham served as a Portfolio Administrator for Wilbanks, Smith & Thomas Asset Management in Norfolk, Virginia.

In addition, from time to time, various existing franchisees visit EOT to discuss their experiences and answer questions that the class may have.

D. Length of Time Before Opening.

The franchised business must be open for business by January 8th when you purchase an undeveloped territory from us and must be open by January 2nd when you purchase a developed territory from us in the most recent tax season, (meaning a territory that had a Liberty tax preparation office). Before then, you will need to prepare for opening by obtaining necessary licenses and permits, running a tax school, leasing office space, hiring and training personnel, ordering supplies, equipment, and furniture and office set up. The length of time between the signing of the franchise agreement and the opening for business on January 2 or January 8 will vary depending upon the date of signing of the franchise agreement.

ITEM 12
TERRITORY

Your franchise territory, see Schedule A of your franchise agreement (the "Territory"), is exclusive to you, subject to the exceptions described in this Item and the franchise agreement.

The geographic area granted in the Territory will typically cover an area that generates approximately 7,000 to 8,500 paid federal tax returns

You may only operate within the Territory. Except as described below, neither we nor another franchisee may operate a tax return preparation office in your Territory. We may sell any other Territory to other franchisees. You may not advertise outside of your Territory without our written approval. We may advertise in your Territory.

If your Territory includes an outlet or site of a national or regional account that we negotiate, you may operate in that outlet or site if you are in compliance with your franchise agreement. If you choose not to operate in the national or regional account outlet or site, we may operate in that outlet or site. Otherwise, we will not establish a company-owned outlet in your Territory. We may establish channels of distribution other than a retail or storefront location to distribute similar products or services using our Marks in your Territory.

At present, we offer online income tax preparation at the websites www.esmarttax.com and www.CompleteTax.com. We accept customers for the online services from your Territory and may advertise these services in your Territory, including the sale of gift cards for these services. We pay to you a reverse royalty of 14% of the tax preparation fees we receive from these websites from customers in territories of yours in which you have a Liberty Tax Service office. (Franchise Agreement, Exhibit B, Section 4.c.).

We may not establish franchised or company-owned outlets or other channels of distribution of similar products or services under a different trademark in your Territory. We may grant franchises in other lines of business using different Marks in your Territory. Within your Territory, you may offer services to any individual or business and may relocate your office(s) upon our approval, which we base upon the site selection criteria in our Operations Manual. We do not grant options or rights of first refusal to acquire other or contiguous territories.

Depending upon the amount of time, capital, and business experience that you have, we may allow you to acquire multiple franchise territories. If so, you will sign a separate franchise agreement for each one. In addition, you and we will agree to and set forth in a stipulation the schedule that you will follow in opening the territories and the consequences of this schedule and any failure to adhere to it. See Exhibit B, Schedule B-2.

Continuation of your rights to be a franchisee depends upon your preparing 1000 federal income tax returns in a Territory in your fifth and each subsequent Tax Season, as required pursuant to the terms of the franchise agreement ("Target Volume").

If you have completed at least one Tax Season with us, and are in full compliance with our Manual and your franchise agreement, upon our consent at select times of the year and as to select territories that we make available for this purpose, you may operate a Liberty office in an available additional territory for a flat fee under a "Try Before You Buy" Special Stipulation, or for ordinary royalty and advertising fees under a "Rent to Own" Special Stipulation. If you are eligible, you may run an office in the additional territory for one Tax Season and, if you elect, then purchase the territory under a separate franchise agreement. See Exhibit B, Schedules B-3 and B-4. We reserve the right to limit approval to those franchisees whom we believe possess sufficient capital, business acumen and resources to properly run an additional office.

We may not alter your Territory without your consent, even if there is an increase in population in your Territory.

ITEM 13
TRADEMARKS

The franchise agreement licenses to you the right to use the Marks described below, in accordance with our specifications and standards:

Registration Number	Description of Mark	Principal or Supplemental Register of the United States Patent and Trademark Office	Registration Date
2,314,991	Liberty Tax Service®	Principal	February 1, 2000
2,459,756	Liberty Income Tax®	Principal	June 12, 2001
2,465,670	Liberty Tax®	Principal	July 3, 2001
2,479,692		Principal	August 21, 2001

2,991,965	America's Fastest Refunds®	Principal	September 6, 2005
3,167,134	Costume of the Statue of Liberty 	Principal	November 7, 2006
3,545,630	Costume of Uncle Sam 	Principal	December 16, 2008
3,574,394	Costume of over-sized Statue of Liberty 	Principal	February 17, 2009
3,738,741	Statue of Liberty 	Principal	January 19, 2010
4,204,477	Esmart Tax	Principal	September 11, 2012

4,216,370	e smart	Principal	October 2, 2012
4,271,695	Zubeda	Principal Register	January 8, 2013
2,802,038	CompleteTax	Principal Register	January 6, 2004

There are presently no effective determinations of the United States Patent and Trademark Office ("USPTO"), any trademark trial and appeal board, any state trademark administrator or any court, any pending interference, opposition, or cancellation proceeding involving any of the above-referenced Marks. There are no currently effective agreements that significantly limit our rights to use or license the use of the Marks listed in this section in a manner material to the franchise.

There is no pending material federal or state court litigation regarding our use or ownership rights in any Mark.

We have filed all required affidavits.

We are not obligated but intend to protect your right to use our Marks. We are not obligated to protect the franchisee against claims of infringement or unfair competition arising out of your use of our Marks.

We do not know of either superior prior rights or infringing uses that could materially affect your use of our Marks anywhere except as follows: In Lynwood, California, Liberty Income Tax & Insurance has apparently been registered under this name since January 14, 1998. In the Medford area of New Jersey, Liberty Tax Service LLC has apparently been doing business under the name Liberty Tax Service since 1994. In St. Helens, Oregon, Liberty Bookkeeping and Tax has apparently been registered to do business under that name since September 1992. These other users may have superior rights to these names and confusingly similar names in the geographic areas in which they have been operating.

Pursuant to the franchise agreement, you have a limited license to use the Liberty Tax Service marks and any other mark we may develop ("Marks") in connection with this tax return preparation franchise. You must use the Marks in accordance with the franchise agreement and the Operations Manual. You may not use the Marks, or any marks likely to be confused with these Marks, as part of any company name. You may not use the Marks, or any marks likely to be confused with these Marks, including "libtax," other than to offer the products and services specifically described in the franchise agreement. We must approve in advance all use of the Marks.

If we develop new marks or modify existing marks, you must adopt and use these marks as described by us. Any expenses you incur because of adopting and using these marks are your responsibility. However, absent a legal requirement, we will not change exterior signage requirements more than once every four years.

Our Marks are our sole property and you acquire no rights to these Marks by signing a franchise agreement or by using the Marks. When your franchise agreement expires, is terminated, or is transferred, you retain no goodwill from the Marks. All goodwill associated with the Marks is ours.

ITEM 14
PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

At this time, we do not hold any patents. We claim a copyright in our Operations Manual, Libtax software, marketing and advertising materials and other printed material and software, although we have not presently filed a registration of those copyrights. We consider all of these items confidential and proprietary. We also consider the tax return information of our customers, including names and addresses, to be confidential and proprietary. Upon termination of your franchise agreement, you must return to us our Operations Manual and customer tax returns and information. You may never-during the initial term, any renewal term, or after the franchise agreement expires or is terminated-reveal any of our confidential information to any other person or entity or use it for the benefit of any other person or business.

ITEM 15
OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

You must provide franchise services under your direct supervision and control and/or under the direct supervision and control of a full time general manager who has been approved, and not later disapproved, by us. We will not approve a general manager before their successful completion of our EOT and HOT.

You must comply with all federal, state and local laws and regulations. You must secure all necessary permits, certificates, licenses, and consents to operate your business.

You must use your best efforts to promote the Franchised Business. You must open your Franchised Business by January 8 of your first tax season when you purchase an undeveloped territory from us but otherwise must be open by January 2 of each year. You must be open for business during the following standard operating hours and post your office hours on the office door or window.

Tax Season Office Hours follow:

Non-Peak Hours:	Required	Recommended
*Monday-Friday	9 a.m. – 9 p.m.	9 a.m. – 9 p.m.
*Saturday	9 a.m. – 5 p.m.	9 a.m. – 5 p.m.
*Sunday		1 p.m. – 5 p.m.
Peak Hours:		
*Monday-Friday	7 a.m. – 9 p.m.	7 a.m. – 9 p.m.
*Saturday	7 a.m. – 5 p.m.	7 a.m. – 5 p.m.
*Sunday		9 a.m. – 5 p.m.
Last Week of Tax Season:		
*Monday-Friday	7 a.m. – 9 p.m.	7 a.m. – 9 p.m.
*Saturday	7 a.m. – 5 p.m.	7 a.m. – 5 p.m.
*Sunday		9 a.m. – 5 p.m.

Last Day of Tax Season:	7 a.m. - midnight

"Peak Hours" refers to the week containing the fourth Monday of the year for a three week period.

You must individually guarantee the performance under the franchise agreement. You must agree to jointly and severally perform each and every term and obligation of that agreement, including the terms regarding payment.

You are an independent contractor. You are not an agent, partner, employee, or a participant in a joint venture and have no authority to hold yourself out as any of these to third parties. We are not and will not be liable for any act, omission, debt, or other obligation of yours. You are responsible for all loss or damage and contractual liability to third parties originating in or in connection with the operation of the franchise and for all claims or demands for damage directly or indirectly related to your business. You agree to defend and indemnify us from any such claim, loss, or damage.

You are subject to a covenant not to compete. Furthermore, your employees must sign employment contracts that contain confidentiality requirements and, to the extent permitted by law, covenants not to compete.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

Products and Services. For the duration of your franchise, you cannot offer products or services through the franchise other than the franchise services, unless you receive our prior written consent. We may change the types of authorized products and services in response to legal, technological, or competitive changes, or attempts to improve in the marketplace. You must operate according to the Operations Manual.

Electronic Filing and Financial Products. If we negotiate an arrangement with a third party to provide refund anticipation loans and other Financial Products as described in Item 8, you must use that Provider to offer Financial Products to your customers. Likewise, if we provide or recommend a source for electronically filing tax returns, you must utilize this source. You must receive a valid EFIN from the IRS to take advantage of electronic filing.

Software. You must use the computer software that we provide or recommend.

Telephone. For each office, you must obtain and maintain a Liberty telephone number, white and yellow page telephone number listing, and may be required to purchase a yellow page advertisement and/or contribute to a group listing or advertisement per our recommendations. For further information on purchasing these listings and advertisements through a required service provider, please see Item 8.

Competing Business. For the duration of your franchise, you may not have any interest in any related business in the United States or Canada unless you receive our prior written consent. For the following two years, you may not, for a fee or charge, prepare or electronically file tax returns or offer Financial Products, in or within 25 miles of your prior Liberty Territory.

Confidential Information and Trade Secrets. Our Operations Manual, operating systems, methods and know-how and our customer information are confidential information and are trade secrets. You may not use or communicate, directly or indirectly, or disclose in any manner our confidential information or trade secrets during or after the expiration, termination, transfer or other disposition of your franchise.

ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

This table lists certain important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this disclosure document.

THE FRANCHISE RELATIONSHIP

Provision	Section In Franchise Agreement	Summary
a. Length of the franchise term	2	5 years.
b. Renewal or extension of the term	2	Can be renewed for successive 5 year terms if you are not in default of any provision of your franchise agreement.
c. Requirements for you to renew or extend	2	There is no fee for renewal but you must sign a general release of claims (Ex. D-4), notify us in writing at least 180 days before the expiration of the Agreement, and you will be required to sign our then-current standard franchise agreement, which may contain materially different terms and conditions than your original contract. But the boundaries of the Territory will remain the same and we cannot raise royalties, advertising fees or impose a renewal fee upon renewal.
d. Termination by you	8	You may terminate the franchise agreement if you do not renew.
e. Termination by us without cause	None	
f. Termination by us with cause	8	We can terminate only if you default.
g. "Cause" defined – curable defaults	8(c)	Breach of the Operations Manual or any other term or condition of the franchise agreement, except those grounds providing for immediate termination, when this breach is not cured within seven days after notice; past due debts to us; fail to comply with IRS e-file rules; default on any loan, lease or sublease affecting the Franchised Business.
h. "Cause" defined – non-curable defaults	8(b)	Insolvency; unsatisfied judgment; violation of law; abandonment of your Franchised Business; you fail to open by January 2 or 8; you operate or advertise outside your Territory; you fail to meet Target Volume; you fail to use specified software, electronic filing or Financial Products; you fail to obtain or lose an EFIN; falsify your franchise

		application, make a false financial report or commit an act of fraud; three or more breaches within 12 months; fail to timely notify us of desire to renew.
i. Your obligations on termination/renewal	9	Make available for sale to us all equipment, signs, fixtures and furnishings of your Franchised Business; stop using our marks; stop using our literature and forms; pay to us all amounts owing to us; transfer all telephone numbers of the Franchised Business to us; upon our election, assign your lease to us; give us all copies of your customer lists, customer tax returns and files; return the Operations Manual; cancel fictitious names, adhere to the covenants not to compete and not to solicit in the franchise agreement.
j. Assignment of contract by us	15	We may assign to a successor in interest who remains bound by terms of agreement.
k. "Transfer by you" – definition	15	Includes transfer of contract or identity of owners changing.
l. Our approval of transfer by you	15	We must approve transfer based upon our then current qualifications.
m. Conditions for our approval of transfer	15(f)-(i)	You must be in compliance with Agreement, pay transfer fees, sign a release (Ex. D-4), we must approve transferee, we have right of first refusal and transferee must attend and successfully complete training.
n. Our right to first refusal to acquire your business	15(a) - (e)	We can match any offer for your business.
o. Our option to purchase your business	2	We have the right to purchase a franchise between May 1 and June 30 for the greater of $150,000 or 200% of annual gross receipts (except in Virginia).
p. Your death or disability	14	Transfer must be commenced within 180 days, completed within one year; must comply with transfer provisions in paragraph 13.
q. Non-competition covenants during the term of the franchise	10, Sch C-1	No competition allowed unless approved by us.
r. Non-competition covenants after the franchise is terminated or expires	9, 10, Sch B-1	No competition for 2 years within 25 miles of your former Liberty Territory, except as approved by us.
s. Modification of the agreement	18	No modifications except to Operations Manual. Revisions to the Manual will not unreasonably affect the franchisee's obligations, including economic requirements, under the franchise agreement.
t. Integration/merger clause	21	Only the terms in the franchise agreement are binding (subject to state law) and without disclaiming statements in here.
u. Dispute resolution by arbitration	IN, IL, MD, MN and ND	Indiana, Illinois, Maryland, Minnesota and North Dakota franchisees must bring claims against us

	Addenda to Franchise Agreement	before the American Arbitration Association
v. Choice of forum	17	All suits must be tried in Virginia (except as modified by Addenda to this disclosure document).
w. Choice of Law	17	Virginia law governs (except as modified by Addenda to this disclosure document).

ITEM 18
PUBLIC FIGURES

We have paid $30,000 for the use of Terry Bradshaw's name and appearance in promoting the sale of our franchise. The right does not expire. We have produced a television ad and DVD that feature Mr. Bradshaw. Mr. Bradshaw does not manage or own an interest in us.

ITEM 19
FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

For our Financial Performance Representation, we set forth five sample Profit and Loss Statements from our franchisees. The universe from which the Profit and Loss Statements were selected is as follows: third year or older Liberty franchised offices of franchisees who operated one storefront office or one storefront and kiosk during the time period May 1, 2010 – April 30, 2011.

During this May 1, 2010 to April 30, 2011 time period, we had 629 outlets in the United States that met the characteristics of the selected universe. As to these five sample Profit and Loss Statements, the number and percent of those franchisees in the universe who attained or surpassed the stated results is set forth as follows:

Tax Return Count	**Number of franchisees who met or exceeded results**	**% of franchisees who met or exceeded results**
315	**526**	**83.62%**
500	**345**	**54.85%**
700	**184**	**29.25%**
1001	**58**	**9.22%**
1899	**5**	**.79%**

A kiosk location refers to a temporary location embedded within another retailer, such as a desk at an Ace check cashing store or a booth at a Kmart location. Excluded from this data are offices owned by franchisees with multiple storefront offices in operation, and company operated outlets. The data presented is based upon information received from independent franchise owners, and has not been audited or otherwise verified by us. Immediately following the Financial Performance Representations is additional information that you should carefully consider in order to understand this performance information in the appropriate context.

Financial Performance Representation #1:
P&L 315 Tax Returns Prepared:

TOTAL # RETURNS INCLUDING # FREE RETURNS	315
# FREE RETURNS	54
AVERAGE FEES (NET)	$296

INCOME

TAX PREP FEES (GROSS FEES)	$109,396
DISCOUNTS	15,861
DISCOUNTS FOR FREE RETURNS	16,169
CASH IN A FLASH	50
Total Net Fees	77,316
TAX SCHOOL INCOME	0
Total Income	77,316

EXPENSE

MANAGER'S WAGE	0
WAGES	10,406
GUERILLA MARKETING WAGES	4,393
PAYROLL TAXES	1,773
RENT	28,614
UTILITIES (INCLUDE INTERNET FEES)	4,337
TELEPHONE	2,221
LEASEHOLD IMPROVEMENT/REPAIRS	284
EQUIPMENT LEASE	0
OFFICE SUPPLIES	987
POSTAGE	0
TAX SCHOOL EXPENSE	0
REFUNDS	583
SEND A FRIEND/CASH IN A FLASH	200
IRS/ST PENALTY & INTEREST	0
INSURANCE	625
PERMITS/LICENSES	185
ZEE PAID ADVERTISING	1,985
GUERILLA MARKETING SUPPLIES	1,332
ADVERTISING ROYALTIES (5%)	3,803
TRAVEL/ENTERTAINMENT/TRAINING	709
BANKING/PROFESSIONAL FEES	586
ROYALTIES	11,000
MISCELLANEOUS	600
Total Expenses	74,623

Net Income	$2,693

Financial Performance Representation #2:
P&L 500 Tax Returns Prepared:

TOTAL # RETURNS INCLUDING # FREE RETURNS	500
# FREE RETURNS	102
AVERAGE FEES (NET)	$308

INCOME

TAX PREP FEES (GROSS FEES)	$279,895
DISCOUNTS	128,913
DISCOUNTS FOR FREE RETURNS	28,167
CASH IN A FLASH	200
Total Net Fees	122,615
TAX SCHOOL INCOME	0
Total Income	122,615

EXPENSE

MANAGER'S WAGE	3,750
WAGES	29,469
GUERILLA MARKETING WAGES	300
PAYROLL TAXES	2,929
RENT	15,000
UTILITIES (INCLUDE INTERNET FEES)	4,648
TELEPHONE	5,914
LEASEHOLD IMPROVEMENT/REPAIRS	876
EQUIPMENT LEASE	0
OFFICE SUPPLIES	5,316
POSTAGE	220
TAX SCHOOL EXPENSE	184
REFUNDS	599
SEND A FRIEND/CASH IN A FLASH	0
IRS/ST PENALTY & INTEREST	30
INSURANCE	711
PERMITS/LICENSES	1,105
ZEE PAID ADVERTISING	0
GUERILLA MARKETING SUPPLIES	0
ADVERTISING ROYALTIES (5%)	6,073
TRAVEL/ENTERTAINMENT/TRAINING	2,199
BANKING/PROFESSIONAL FEES	556
ROYALTIES	16,576
MISCELLANEOUS	112
Total Expenses	96,567

Net Income	$26,048

<u>Financial Performance Representation #3:</u>
<u>P&L 700 Tax Returns Prepared:</u>

TOTAL # RETURNS INCLUDING # FREE RETURNS	700
# FREE RETURNS	78
AVERAGE FEES (NET)	$224

INCOME

TAX PREP FEES (GROSS FEES)	$181,591
DISCOUNTS	29,080
DISCOUNTS FOR FREE RETURNS	13,118
CASH IN A FLASH	300
Total Net Fees	139,093
TAX SCHOOL INCOME	0
Total Income	139,093

EXPENSE

MANAGER'S WAGE	0
WAGES	12,000
GUERILLA MARKETING WAGES	5,000
PAYROLL TAXES	4,000
RENT	12,000
UTILITIES (INCLUDE INTERNET FEES)	3,600
TELEPHONE	1,200
LEASEHOLD IMPROVEMENT/REPAIRS	0
EQUIPMENT LEASE	0
OFFICE SUPPLIES	500
POSTAGE	100
TAX SCHOOL EXPENSE	500
REFUNDS	299
SEND A FRIEND/CASH IN A FLASH	0
IRS/ST PENALTY & INTEREST	0
INSURANCE	100
PERMITS/LICENSES	0
ZEE PAID ADVERTISING	1,000
GUERILLA MARKETING SUPPLIES	500
ADVERTISING ROYALTIES (5%)	6,885
TRAVEL/ENTERTAINMENT/TRAINING	100
BANKING/PROFESSIONAL FEES	100
ROYALTIES	19,277
MISCELLANEOUS	100
Total Expenses	67,261

Net Income	$71,832

Financial Performance Representation #4:
P&L 1,001 Tax Returns Prepared:

TOTAL # RETURNS INCLUDING # FREE RETURNS	1,001
# FREE RETURNS	187
AVERAGE FEES (NET)	$235

INCOME

TAX PREP FEES (GROSS FEES)	$350,872
DISCOUNTS	93,318
DISCOUNTS FOR FREE RETURNS	55,700
CASH IN A FLASH	10,550
Total Net Fees	191,304
TAX SCHOOL INCOME	0
Total Income	191,304

EXPENSE

MANAGER'S WAGE	0
WAGES	20,220
GUERILLA MARKETING WAGES	12,410
PAYROLL TAXES	3,210
RENT	8,000
UTILITIES (INCLUDE INTERNET FEES)	3,300
TELEPHONE	0
LEASEHOLD IMPROVEMENT/REPAIRS	750
EQUIPMENT LEASE	0
OFFICE SUPPLIES	4,250
POSTAGE	240
TAX SCHOOL EXPENSE	500
REFUNDS	1,297
SEND A FRIEND/CASH IN A FLASH	600
IRS/ST PENALTY & INTEREST	0
INSURANCE	1,200
PERMITS/LICENSES	620
ZEE PAID ADVERTISING	240
GUERILLA MARKETING SUPPLIES	6,440
ADVERTISING ROYALTIES (5%)	9,335
TRAVEL/ENTERTAINMENT/TRAINING	1,240
BANKING/PROFESSIONAL FEES	440
ROYALTIES	24,404
MISCELLANEOUS	3,240
Total Expenses	101,936

Net Income	$89,368

Financial Performance Representation #5:
P&L 1,899 Tax Returns Prepared:

TOTAL # RETURNS INCLUDING # FREE RETURNS	1,899
# FREE RETURNS	164
AVERAGE FEES (NET)	$261

INCOME

TAX PREP FEES (GROSS FEES)	$509,286
DISCOUNTS	23,271
DISCOUNTS FOR FREE RETURNS	33,224
CASH IN A FLASH	0
Total Net Fees	452,791
TAX SCHOOL INCOME	0
Total Income	452,791

EXPENSE

MANAGER'S WAGE	41,721
WAGES	56,300
GUERILLA MARKETING WAGES	12,120
PAYROLL TAXES	13,217
RENT	23,762
UTILITIES (INCLUDE INTERNET FEES)	4,799
TELEPHONE	2,467
LEASEHOLD IMPROVEMENT/REPAIRS	2,700
EQUIPMENT LEASE	3,229
OFFICE SUPPLIES	10,316
POSTAGE	268
TAX SCHOOL EXPENSE	3,600
REFUNDS	1,765
SEND A FRIEND/CASH IN A FLASH	1,940
IRS/ST PENALTY & INTEREST	178
INSURANCE	1,540
PERMITS/LICENSES	50
ZEE PAID ADVERTISING	18,237
GUERILLA MARKETING SUPPLIES	9,437
ADVERTISING ROYALTIES (5%)	21,511
TRAVEL/ENTERTAINMENT/TRAINING	5,411
BANKING/PROFESSIONAL FEES	2,214
ROYALTIES	53,627
MISCELLANEOUS	969
Total Expenses	291,378

Net Income	$161,413

Additional information applicable to the above Financial Performance Representations:

A number of factors will directly affect the performance of your office. These include, but are not limited to, the general market for preparer provided tax preparation in your area, competitive factors from other tax preparers in your market, and the success of your efforts to obtain quality sites, provide recommended tax courses, hire a sufficient number of trained personnel, engage in successful marketing, offer high customer service, and generally follow the Operations Manual and Liberty system. **Your individual financial results may differ substantially from the results stated in this financial performance representation.** Written substantiation for this financial performance representation is available to you upon reasonable request. We will not disclose the performance data of a specific office without the owner's consent.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

Table No. 1

Systemwide Outlet Summary
For Fiscal Years Ending April 30, 2010 to April 30, 2012

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	2010	2881	3217	+336
	2011	3217	3545	+328
	2012	3545	3809	+264
Company-Owned	2010	43	57	+14
	2011	57	46	-11
	2012	46	80	+34
Total Outlets	2010	2924	3274	+350
	2011	3274	3591	+317
	2012	3591	3889	+298

Table No. 2

Transfers of Outlets From Franchisees to New Owners (Other than the Franchisor)
For Years Ending April 30, 2010 to April 30, 2012

Column 1 State	Column 2 Year	Column 3 Number of Transfers
Alabama	2010	0
	2011	2
	2012	0
Alaska	2010	0
	2011	0
	2012	1
Arizona	2010	3
	2011	8
	2012	8
Arkansas	2010	0
	2011	1
	2012	2

California	**2010**	**22**
	2011	**39**
	2012	**25**
Colorado	**2010**	**1**
	2011	**7**
	2012	**10**
Connecticut	**2010**	**1**
	2011	**2**
	2012	**3**
Delaware	**2010**	**0**
	2011	**1**
	2012	**1**
District of Columbia	**2010**	**0**
	2011	**0**
	2012	**0**
Florida	**2010**	**11**
	2011	**30**
	2012	**24**
Georgia	**2010**	**7**
	2011	**11**
	2012	**9**
Hawaii	**2010**	**0**
	2011	**0**
	2012	**0**
Idaho	**2010**	**3**
	2011	**2**
	2012	**1**
Illinois	**2010**	**1**
	2011	**6**
	2012	**4**
Indiana	**2010**	**1**
	2011	**6**
	2012	**4**
Iowa	**2010**	**0**
	2011	**0**
	2012	**1**
Kansas	**2010**	**5**
	2011	**4**
	2012	**9**
Kentucky	**2010**	**1**
	2011	**2**
	2012	**1**
Louisiana	**2010**	**1**
	2011	**2**
	2012	**3**
Maine	**2010**	**0**
	2011	**0**
	2012	**0**
Maryland	**2010**	**2**

	2011	**2**
	2012	**2**
Massachusetts	**2010**	**2**
	2011	**6**
	2012	**4**
Michigan	**2010**	**3**
	2011	**5**
	2012	**7**
Minnesota	**2010**	**2**
	2011	**3**
	2012	**2**
Mississippi	**2010**	**0**
	2011	**1**
	2012	**0**
Missouri	**2010**	**1**
	2011	**7**
	2012	**2**
Montana	**2010**	**0**
	2011	**0**
	2012	**0**
Nebraska	**2010**	**0**
	2011	**0**
	2012	**0**
Nevada	**2010**	**2**
	2011	**3**
	2012	**2**
New Hampshire	**2010**	**0**
	2011	**0**
	2012	**0**
New Jersey	**2010**	**3**
	2011	**6**
	2012	**7**
New Mexico	**2010**	**1**
	2011	**0**
	2012	**4**
New York	**2010**	**9**
	2011	**12**
	2012	**19**
North Carolina	**2010**	**8**
	2011	**12**
	2012	**25**
North Dakota	**2010**	**1**
	2011	**0**
	2012	**0**
Ohio	**2010**	**7**
	2011	**6**
	2012	**10**
Oklahoma	**2010**	**1**
	2011	**0**

	2012	**0**
Oregon	**2010**	**9**
	2011	**1**
	2012	**6**
Pennsylvania	**2010**	**5**
	2011	**11**
	2012	**11**
Rhode Island	**2010**	**0**
	2011	**0**
	2012	**2**
South Carolina	**2010**	**3**
	2011	**9**
	2012	**6**
South Dakota	**2010**	**0**
	2011	**2**
	2012	**0**
Tennessee	**2010**	**1**
	2011	**7**
	2012	**1**
Texas	**2010**	**24**
	2011	**32**
	2012	**29**
Utah	**2010**	**5**
	2011	**4**
	2012	**4**
Vermont	**2010**	**0**
	2011	**0**
	2012	**0**
Virginia	**2010**	**6**
	2011	**8**
	2012	**16**
Washington	**2010**	**18**
	2011	**2**
	2012	**7**
West Virginia	**2010**	**1**
	2011	**2**
	2012	**0**
Wisconsin	**2010**	**5**
	2011	**7**
	2012	**3**
Wyoming	**2010**	**0**
	2011	**0**
	2012	**0**
Total	**2010**	**179**
	2011	**201**
	2012	**275**

Table No. 3

Status of Franchised Outlets
For Fiscal Years Ending April 30, 2010 to April 30, 2012*

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Termina-tions	Column 6 Non-Renewals	Column 7 Reacquired By Franchisor	Column 8 Ceased Opera-tions-Other Reasons	Column 9 Franchised Stores Operating at Year End
Alabama	2010	22	6	0	0	0	0	28
	2011	28	0	2	0	0	4	22
	2012	22	5	1	0	0	0	26
Alaska	2010	7	8	0	0	1	0	14
	2011	14	1	0	0	0	0	15
	2012	15	0	0	0	0	0	15
Arizona	2010	54	10	0	0	0	0	64
	2011	64	8	4	0	1	0	67
	2012	67	4	1	1	0	0	69
Arkansas	2010	24	4	0	0	3	0	25
	2011	25	4	1	0	0	0	28
	2012	28	7	0	0	0	0	35
California	2010	301	80	5	0	7	0	369
	2011	369	86	2	1	1	2	449
	2012	449	103	20	0	7	36	489
Colorado	2010	52	17	0	0	0	0	69
	2011	69	15	0	0	0	0	84
	2012	84	12	3	0	2	5	86
Connecticut	2010	36	14	2	0	0	0	48
	2011	48	4	2	0	2	0	48
	2012	48	2	0	0	0	4	46
Delaware	2010	12	4	0	0	0	4	12
	2011	12	2	0	0	0	0	14
	2012	14	1	1	0	0	0	14
District of Columbia	2010	3	0	0	0	0	0	3
	2011	3	0	0	0	0	0	3
	2012	3	0	0	0	0	0	3
Florida	2010	190	46	13	0	5	1	217
	2011	217	30	6	3	1	0	237
	2012	237	39	19	0	4	11	242
Georgia	2010	99	31	1	0	0	1	128
	2011	128	12	12	0	1	0	127
	2012	127	19	8	0	1	8	129
Hawaii	2010	4	2	0	0	0	0	6
	2011	6	4	0	0	0	0	10
	2012	10	10	0	0	0	1	19
Idaho	2010	21	1	1	0	0	0	21
	2011	21	1	0	0	0	0	22
	2012	22	2	0	0	0	0	24
Illinois	2010	153	20	2	0	2	0	169
	2011	169	10	2	0	5	1	171
	2012	171	29	7	0	0	9	184
Indiana	2010	64	12	1	0	0	2	73
	2011	73	5	0	0	1	0	77
	2012	77	9	3	0	1	1	81
Iowa	2010	22	2	0	1	0	6	17

	2011	**17**	**3**	**0**	**0**	**1**	**0**	**19**
	2012	**19**	**6**	**0**	**0**	**2**	**0**	**23**
Kansas	**2010**	**32**	**6**	**2**	**0**	**0**	**1**	**35**
	2011	**35**	**5**	**1**	**0**	**2**	**1**	**36**
	2012	**36**	**2**	**1**	**0**	**0**	**1**	**36**
Kentucky	**2010**	**34**	**9**	**1**	**0**	**0**	**0**	**42**
	2011	**42**	**2**	**0**	**0**	**0**	**0**	**44**
	2012	**44**	**7**	**6**	**1**	**0**	**1**	**43**
Louisiana	**2010**	**33**	**18**	**2**	**3**	**0**	**0**	**46**
	2011	**46**	**11**	**0**	**0**	**10**	**0**	**47**
	2012	**47**	**0**	**3**	**0**	**1**	**12**	**31**
Maine	**2010**	**8**	**0**	**1**	**0**	**0**	**0**	**7**
	2011	**7**	**1**	**3**	**0**	**0**	**0**	**5**
	2012	**5**	**1**	**0**	**0**	**0**	**0**	**6**
Maryland	**2010**	**59**	**14**	**4**	**2**	**0**	**0**	**67**
	2011	**67**	**13**	**2**	**0**	**0**	**1**	**77**
	2012	**77**	**15**	**2**	**0**	**7**	**8**	**75**
Massachu-setts	**2010**	**47**	**13**	**2**	**0**	**0**	**0**	**58**
	2011	**58**	**13**	**2**	**0**	**0**	**0**	**69**
	2012	**69**	**15**	**0**	**0**	**0**	**3**	**81**
Michigan	**2010**	**100**	**22**	**4**	**2**	**1**	**0**	**115**
	2011	**115**	**6**	**2**	**2**	**3**	**0**	**114**
	2012	**114**	**14**	**6**	**1**	**3**	**3**	**115**
Minnesota	**2010**	**49**	**5**	**0**	**0**	**0**	**0**	**54**
	2011	**54**	**0**	**3**	**0**	**0**	**3**	**45**
	2012	**45**	**8**	**1**	**0**	**0**	**5**	**47**
Mississippi	**2010**	**12**	**4**	**0**	**0**	**0**	**1**	**15**
	2011	**15**	**3**	**1**	**0**	**0**	**0**	**13**
	2012	**13**	**10**	**1**	**0**	**0**	**0**	**22**
Missouri	**2010**	**56**	**14**	**2**	**0**	**0**	**1**	**67**
	2011	**67**	**9**	**2**	**0**	**0**	**0**	**74**
	2012	**74**	**9**	**4**	**0**	**2**	**3**	**74**
Montana	**2010**	**1**	**1**	**0**	**0**	**0**	**0**	**2**
	2011	**2**	**0**	**0**	**1**	**0**	**0**	**1**
	2012	**1**	**1**	**0**	**0**	**0**	**0**	**2**
Nebraska	**2010**	**15**	**0**	**1**	**0**	**0**	**0**	**14**
	2011	**14**	**1**	**2**	**0**	**0**	**2**	**11**
	2012	**11**	**2**	**1**	**0**	**0**	**0**	**12**
Nevada	**2010**	**27**	**9**	**3**	**0**	**0**	**0**	**33**
	2011	**33**	**3**	**0**	**0**	**0**	**0**	**36**
	2012	**36**	**7**	**2**	**0**	**2**	**2**	**37**
New Hampshire	**2010**	**5**	**1**	**1**	**0**	**0**	**0**	**5**
	2011	**5**	**2**	**0**	**0**	**0**	**0**	**7**
	2012	**7**	**0**	**0**	**0**	**0**	**0**	**7**
New Jersey	**2010**	**52**	**9**	**1**	**0**	**3**	**0**	**57**
	2011	**57**	**12**	**2**	**0**	**0**	**0**	**67**
	2012	**67**	**9**	**0**	**0**	**0**	**1**	**75**
New Mexico	**2010**	**11**	**3**	**0**	**0**	**0**	**0**	**14**
	2011	**14**	**2**	**0**	**4**	**0**	**0**	**12**
	2012	**12**	**6**	**0**	**0**	**0**	**0**	**18**
New York	**2010**	**115**	**42**	**7**	**0**	**10**	**0**	**140**
	2011	**140**	**40**	**2**	**0**	**0**	**1**	**177**
	2012	**177**	**57**	**6**	**0**	**0**	**8**	**220**
North Carolina	**2010**	**132**	**28**	**5**	**0**	**4**	**0**	**151**
	2011	**151**	**22**	**4**	**1**	**1**	**0**	**167**
	2012	**167**	**26**	**2**	**0**	**8**	**10**	**173**
North Dakota	**2010**	**14**	**0**	**0**	**0**	**0**	**0**	**14**
	2011	**14**	**0**	**0**	**0**	**0**	**0**	**14**
	2012	**14**	**0**	**0**	**0**	**0**	**0**	**14**

Ohio	**2010**	**88**	**31**	**2**	**0**	**6**	**0**	**111**
	2011	**111**	**11**	**3**	**1**	**2**	**0**	**116**
	2012	**116**	**38**	**2**	**0**	**4**	**6**	**142**
Oklahoma	**2010**	**31**	**4**	**4**	**0**	**4**	**0**	**27**
	2011	**27**	**10**	**0**	**0**	**0**	**0**	**37**
	2012	**37**	**4**	**0**	**0**	**0**	**2**	**39**
Oregon	**2010**	**22**	**8**	**0**	**0**	**0**	**0**	**30**
	2011	**30**	**8**	**1**	**0**	**0**	**0**	**37**
	2012	**37**	**7**	**3**	**0**	**0**	**1**	**40**
Pennsyl-vania	**2010**	**107**	**5**	**6**	**1**	**2**	**0**	**103**
	2011	**103**	**5**	**0**	**0**	**0**	**1**	**107**
	2012	**107**	**23**	**1**	**0**	**5**	**4**	**120**
Rhode Island	**2010**	**7**	**3**	**0**	**0**	**1**	**0**	**9**
	2011	**9**	**4**	**0**	**0**	**0**	**0**	**13**
	2012	**13**	**5**	**0**	**0**	**0**	**0**	**18**
South Carolina	**2010**	**70**	**16**	**2**	**0**	**4**	**0**	**80**
	2011	**80**	**7**	**0**	**0**	**0**	**0**	**87**
	2012	**87**	**18**	**0**	**0**	**0**	**5**	**100**
South Dakota	**2010**	**18**	**5**	**0**	**0**	**5**	**0**	**18**
	2011	**18**	**1**	**0**	**0**	**0**	**3**	**16**
	2012	**16**	**2**	**0**	**1**	**0**	**0**	**17**
Tennessee	**2010**	**53**	**8**	**1**	**3**	**4**	**0**	**53**
	2011	**53**	**18**	**11**	**0**	**1**	**0**	**59**
	2012	**59**	**12**	**1**	**0**	**0**	**3**	**67**
Texas	**2010**	**225**	**44**	**2**	**0**	**3**	**1**	**263**
	2011	**263**	**69**	**11**	**0**	**1**	**0**	**320**
	2012	**320**	**67**	**6**	**1**	**5**	**25**	**350**
Utah	**2010**	**29**	**9**	**2**	**0**	**2**	**0**	**34**
	2011	**34**	**1**	**0**	**0**	**0**	**0**	**35**
	2012	**35**	**3**	**4**	**0**	**0**	**0**	**34**
Vermont	**2010**	**1**	**1**	**0**	**0**	**0**	**0**	**2**
	2011	**2**	**0**	**0**	**0**	**0**	**0**	**2**
	2012	**2**	**1**	**0**	**0**	**0**	**0**	**3**
Virginia	**2010**	**126**	**28**	**3**	**0**	**14**	**1**	**137**
	2011	**137**	**10**	**2**	**1**	**9**	**0**	**135**
	2012	**135**	**28**	**8**	**2**	**16**	**5**	**132**
Washing-ton	**2010**	**82**	**9**	**1**	**0**	**16**	**1**	**73**
	2011	**73**	**10**	**1**	**0**	**0**	**0**	**82**
	2012	**82**	**12**	**5**	**0**	**0**	**5**	**84**
West Virginia	**2010**	**21**	**3**	**0**	**0**	**0**	**0**	**24**
	2011	**24**	**1**	**0**	**0**	**0**	**0**	**25**
	2012	**25**	**3**	**0**	**0**	**0**	**1**	**27**
Wisconsin	**2010**	**44**	**3**	**0**	**0**	**0**	**0**	**47**
	2011	**47**	**12**	**2**	**0**	**0**	**0**	**57**
	2012	**57**	**4**	**3**	**0**	**1**	**2**	**55**
Wyoming	**2010**	**7**	**0**	**0**	**0**	**0**	**0**	**7**
	2011	**7**	**1**	**0**	**0**	**0**	**0**	**8**
	2012	**8**	**0**	**0**	**0**	**0**	**0**	**8**
TOTALS	**2010**	**2881**	**632**	**84**	**12**	**97**	**20**	**3217**
	2011	**3217**	**498**	**90**	**14**	**42**	**24**	**3545**
	2012	**3545**	**664**	**131**	**7**	**71**	**191**	**3809**

*If multiple events occurred affecting an outlet, this table shows the event that occurred last in time.

Table No. 4

Status of Company-Owned Outlets
For Fiscal Years Ending April 30, 2010 to April 30, 2012

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Outlets Reacquired from Franchisees	Column 6 Outlets Closed	Column 7 Outlets Sold to Franchisees	Column 8 Outlets at End of the Year
Alabama	2010	1	0	0	1	0	0
	2011	0	0	0	0	0	0
	2012	0	0	0	0	0	0
Arizona	2010	1	0	1	1	1	0
	2011	0	0	0	0	0	0
	2012	0	0	1	0	0	1
Arkansas	2010	1	0	0	1	0	0
	2011	0	0	0	0	0	0
	2012	0	0	0	0	0	0
California	2010	2	0	4	0	3	3
	2011	3	0	1	1	2	1
	2012	1	0	11	2	6	4
Colorado	2010	0	0	0	0	0	0
	2011	0	0	2	1	0	1
	2012	1	0	4	1	2	2
Connecticut	2010	1	0	1	0	1	1
	2011	1	0	1	0	0	2
	2012	2	0	0	1	0	1
Florida	2010	0	0	10	3	7	0
	2011	0	0	1	0	0	1
	2012	1	0	2	0	3	0
Georgia	2010	1	0	2	0	1	2
	2011	2	0	1	0	3	0
	2012	0	0	5	0	3	2
Idaho	2010	0	0	1	0	0	1
	2011	1	0	1	0	1	1
	2012	1	0	0	0	1	0
Illinois	2010	0	0	1	0	0	1
	2011	1	0	0	0	0	1
	2012	1	0	1	10	1	0
Indiana	2010	0	0	1	0	1	0
	2011	0	0	0	0	0	0
	2012	0	0	1	0	0	1
Iowa	2010	3	0	0	0	1	2
	2011	2	0	0	1	1	0
	2012	0	0	1	0	0	1
Kentucky	2010	1	0	0	0	0	1
	2011	1	0	0	0	0	1
	2012	1	0	2	0	1	2
Louisiana	2010	1	0	1	2	0	0
	2011	0	0	8	0	0	8
	2012	8	0	3	0	0	11
Maryland	2010	1	0	1	0	1	1
	2011	1	0	0	0	0	1
	2012	1	0	6	0	0	7
Massachu-	2010	0	0	1	0	0	1

setts	**2011**	**1**	**0**	**0**	**0**	**1**	**0**
	2012	**0**	**0**	**1**	**0**	**1**	**0**
Michigan	**2010**	**1**	**0**	**1**	**0**	**1**	**1**
	2011	**1**	**0**	**1**	**0**	**1**	**1**
	2012	**1**	**0**	**4**	**1**	**1**	**3**
Minnesota	**2010**	**2**	**0**	**0**	**0**	**0**	**2**
	2011	**2**	**0**	**1**	**1**	**1**	**1**
	2012	**1**	**3**	**0**	**0**	**1**	**3**
Missouri	**2010**	**2**	**0**	**0**	**0**	**0**	**2**
	2011	**2**	**0**	**0**	**1**	**1**	**0**
	2012	**0**	**0**	**0**	**0**	**0**	**0**
Montana	**2010**	**0**	**0**	**0**	**0**	**0**	**0**
	2011	**0**	**0**	**1**	**0**	**0**	**1**
	2012	**1**	**0**	**1**	**0**	**0**	**2**
Nebraska	**2010**	**0**	**0**	**0**	**0**	**0**	**0**
	2011	**0**	**0**	**2**	**0**	**0**	**2**
	2012	**2**	**0**	**1**	**0**	**1**	**2**
Nevada	**2010**	**5**	**0**	**4**	**2**	**5**	**2**
	2011	**2**	**0**	**0**	**0**	**1**	**1**
	2012	**1**	**0**	**2**	**0**	**1**	**2**
New Hampshire	**2010**	**1**	**0**	**0**	**0**	**0**	**1**
	2011	**1**	**0**	**0**	**0**	**0**	**1**
	2012	**1**	**0**	**0**	**0**	**0**	**1**
New Jersey	**2010**	**1**	**0**	**2**	**0**	**0**	**3**
	2011	**3**	**0**	**0**	**0**	**3**	**0**
	2012	**0**	**0**	**0**	**0**	**0**	**0**
New York	**2010**	**0**	**0**	**13**	**6**	**4**	**3**
	2011	**3**	**0**	**0**	**0**	**3**	**0**
	2012	**0**	**0**	**0**	**0**	**0**	**0**
North Carolina	**2010**	**0**	**0**	**4**	**2**	**1**	**1**
	2011	**1**	**0**	**1**	**0**	**0**	**2**
	2012	**2**	**0**	**5**	**4**	**0**	**3**
Ohio	**2010**	**6**	**0**	**3**	**1**	**4**	**4**
	2011	**4**	**0**	**1**	**1**	**2**	**2**
	2012	**2**	**0**	**6**	**0**	**5**	**3**
Oklahoma	**2010**	**1**	**0**	**4**	**1**	**3**	**1**
	2011	**1**	**0**	**0**	**0**	**0**	**1**
	2012	**1**	**0**	**0**	**0**	**0**	**1**
Pennsylvania	**2010**	**1**	**0**	**2**	**1**	**1**	**1**
	2011	**1**	**0**	**0**	**0**	**1**	**0**
	2012	**0**	**0**	**1**	**0**	**0**	**1**
Puerto Rico	**2010**	**0**	**0**	**0**	**0**	**0**	**0**
	2011	**0**	**0**	**0**	**0**	**0**	**0**
	2012	**0**	**2**	**0**	**0**	**0**	**2**
South Carolina	**2010**	**0**	**0**	**1**	**0**	**1**	**0**
	2011	**0**	**0**	**0**	**0**	**0**	**0**
	2012	**0**	**0**	**2**	**0**	**0**	**2**
South Dakota	**2010**	**0**	**0**	**1**	**0**	**1**	**0**
	2011	**0**	**0**	**0**	**0**	**0**	**0**
	2012	**0**	**0**	**0**	**0**	**0**	**0**
Tennessee	**2010**	**3**	**0**	**1**	**1**	**0**	**3**
	2011	**3**	**0**	**0**	**0**	**1**	**2**
	2012	**2**	**0**	**1**	**0**	**0**	**3**
Texas	**2010**	**1**	**0**	**1**	**0**	**1**	**1**
	2011	**1**	**0**	**0**	**0**	**0**	**1**
	2012	**1**	**0**	**2**	**0**	**1**	**2**
Utah	**2010**	**1**	**0**	**2**	**0**	**2**	**1**
	2011	**1**	**0**	**0**	**0**	**1**	**0**
	2012	**0**	**0**	**2**	**0**	**1**	**1**

Virginia	**2010**	**5**	**0**	**14**	**0**	**8**	**11**
	2011	**11**	**0**	**6**	**1**	**2**	**14**
	2012	**14**	**0**	**13**	**5**	**6**	**16**
Washington	**2010**	**0**	**0**	**15**	**6**	**2**	**7**
	2011	**7**	**0**	**0**	**0**	**7**	**0**
	2012	**0**	**0**	**1**	**0**	**1**	**0**
Wisconsin	**2010**	**0**	**0**	**0**	**0**	**0**	**0**
	2011	**0**	**0**	**0**	**0**	**0**	**0**
	2012	**0**	**0**	**1**	**0**	**0**	**1**
Total	**2010**	**43**	**0**	**91**	**28**	**49**	**57**
	2011	**57**	**0**	**28**	**7**	**32**	**46**
	2012	**46**	**5**	**80**	**15**	**36**	**80**

Table No. 5

Projected Openings as of April 30, 2012

State	**Franchise Agreements Signed But Outlet Not Open**	**Projected New Franchised Outlets in the Next Fiscal Year**	**Projected New Company-Owned Outlets in the Next Fiscal Year**
Alabama	1	4	0
Alaska	0	1	0
Arizona	1	9	0
Arkansas	0	4	0
California	19	39	0
Colorado	2	6	0
Connecticut	1	6	0
Delaware	0	3	0
D. of Columbia	0	3	0
Florida	10	21	0
Georgia	7	20	0
Hawaii	0	3	0
Idaho	0	2	0
Illinois	3	28	0
Indiana	1	6	0
Iowa	0	4	0
Kansas	1	3	0
Kentucky	1	4	0
Louisiana	0	21	0
Maine	0	2	0
Maryland	5	16	0
Massachusetts	4	7	0
Michigan	1	12	0
Minnesota	0	8	0
Mississippi	1	4	0
Missouri	3	6	0

Montana	0	2	0
Nebraska	1	2	0
Nevada	0	5	0
New Hampshire	0	2	0
New Jersey	6	12	0
New Mexico	2	2	0
New York	25	41	0
North Carolina	0	12	0
North Dakota	0	2	0
Ohio	0	18	0
Oklahoma	0	4	0
Oregon	1	5	0
Pennsylvania	7	16	0
Rhode Island	1	2	0
South Carolina	0	9	0
South Dakota	0	4	0
Tennessee	2	11	0
Texas	13	29	0
Utah	1	3	0
Vermont	0	2	0
Virginia	2	15	0
Washington	6	5	0
West Virginia	0	2	0
Wisconsin	0	3	0
Wyoming	0	1	0
TOTALS	128	451	0

Exhibit G contains the names of all current franchisees and the addresses and telephone numbers of their outlets as of February 1, 2012. Following that, Exhibit G contains a list of the last known home address and telephone number of every franchisee who had an outlet terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently complete fiscal year, or who has not communicated with us within ten weeks (10) of the date of this disclosure document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with us. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

Exhibit J lists the names, addresses, telephone numbers, e-mail address, and Web address of each trademark-specific franchisee organization associated with the franchise system being offered which we have created, sponsored, or endorsed.

We encourage our existing franchisees and others to refer potential franchisees to us and to cooperate with potential franchisees by responding to questions or inquiries they may have. To compensate for the time expended we or an Area Developer may pay an existing franchisee or another person $1,000-$10,000 if they refer a new franchisee to us.

ITEM 21
FINANCIAL STATEMENTS

Exhibit H contains the audited consolidated Balance Sheets of JTH Holding, Inc. and Subsidiaries for the periods ended April 30, 2012 and April 30, 2011 and the audited consolidated Statements of Income, Stockholders Equity and Comprehensive Income, and Cash Flows for each of the three years in the period ended April 30, 2012, along with the independent auditors' report. Exhibit H also contains a Guarantee of Performance by JTH Holding, Inc. of our obligations under the Franchise Agreements into which we enter.

ITEM 22
CONTRACTS

Franchise Agreement - Exhibit B

Promissory Notes - Exhibit C

JTH Financial, LLC Program Services Agreement and SBBT Financial Services Agreements - Exhibit D-1

Libtax Software License Agreements – Exhibit D-2

Walmart Kiosk Stipulation and Agreement, K-Mart, Ace, and Sears Management Commitment Forms – Exhibit D-3

Renewal & Release Forms – Exhibit D-4

Confidentiality Agreement – Exhibit D-5

Franchisee Card Program Agreement – Exhibit D-6

Purchase and Sale Agreements – Exhibit E

Confidentiality Agreement EOT – Exhibit I

ITEM 23
RECEIPT

Exhibit K contains a Receipt of our Disclosure Document.