KIMCO REALTY CORP
Form S-4
April 30, 2004

REGISTRATION NO. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-4

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

KIMCO REALTY CORPORATION

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of incorporation or organization)

6798
(Primary Standard Industrial Classification Code Number)

13-2744380
(I.R.S. Employer Identification Number)

3333 New Hyde Park Road
New Hyde Park, New York 11042-0020
(516) 869-9000
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Bruce Kauderer, Esq.
3333 New Hyde Park Road
New Hyde Park, New York 11042-0020
(516) 869-9000
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:
Raymond Y. Lin, Esq.
Latham & Watkins LLP
885 Third Avenue
Suite 1000
New York, New York 10022

From time to time after the effective date of this registration statement as determined by market conditions
(Approximate date of commencement of proposed sale to the public)

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box:

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering:

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering:

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered(1)	Proposed maximum offering price per share	Proposed maximum aggregate offering price (2)	Amount of registration fee (2)
Common stock, par value $.0l per share	2,635,046	not applicable	$110,342,551.25	$13,980.40

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

(1) The number of shares of Kimco Realty Corporation common stock being registered hereunder represents the maximum aggregate number of shares of common stock that may be issued to the limited partners of Kimco Westlake, L.P. by Kimco Realty Corporation pursuant to the Agreement of Limited Partnership of Kimco Westlake, L.P. dated as of October 22, 2002.

(2) Estimated solely for purposes of calculating the registration fee. Pursuant to Rule 457(c) under the Securities Act of 1933, the registration fee was based on $41.875, the average of the high and low prices per share of the common stock of Kimco Realty Corporation on the New York Stock Exchange on April 28, 2004.

The information in this prospectus is not complete and may be changed. The securities registered hereunder may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where such offer or sale is not permitted.

Subject to completion, dated April 30, 2004.

PROSPECTUS

KIMCO REALTY CORPORATION

OFFER TO EXCHANGE

**2,635,046 SHARES OF ITS COMMON STOCK,
WHICH HAVE BEEN REGISTERED UNDER THE SECURITIES ACT,
FOR THE LIMITED PARTNERSHIP UNITS OF KIMCO WESTLAKE, L.P.**

This prospectus relates to our potential issuance of up to 2,635,046 shares of our common stock from time to time in exchange for up to 2,383,080 Limited Partnership Units of Kimco Westlake, L.P., or the limited partnership units.

We will not receive any proceeds from the issuance of the shares in exchange for limited partnership units, but we will acquire limited partnership units related to a California limited partnership that owns a shopping center in Daly City, California tendered in exchange for shares of our common stock. The exchange of the limited partnership units for shares of our common stock pursuant to the exchange offer will be treated as a sale of the limited partnership units to us for U.S. federal income tax purposes.

Our common stock is traded on the New York Stock Exchange under the symbol KIM. We will make applications to list any shares of common stock exchanged for limited partnership units pursuant to this prospectus on the New York Stock Exchange. The last reported sale price of our common stock on the New York Stock Exchange on April 29, 2004 was $42.73 per share.

In addition, the specific terms of any exchange may include limitations on direct or beneficial ownership and restrictions on transfer of the securities offered by this prospectus, in each case as may be appropriate to preserve our status as a real estate investment trust, or REIT, for federal income tax purposes.

Investing in our securities involves risks. See Risk Factors beginning on page 12.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete and any representation to the contrary is a criminal offense.

The date of this Prospectus is ____, 20__.

We have not authorized any dealer, salesman or other person to give any information or to make any representation other than those contained or incorporated by reference in this prospectus and the accompanying supplement to this prospectus. You must not rely upon any information or representation not contained or incorporated by reference in this prospectus. This prospectus does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the registered securities to which they relate, nor do this prospectus and the accompanying supplement to this prospectus constitute an offer to sell or the solicitation of an offer to buy securities in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. The information contained in this prospectus and the supplement to this prospectus is accurate as of the dates on their covers. When we deliver this prospectus or a supplement or make a sale pursuant to this prospectus or a supplement, we are not implying that the information is current as of the date of the delivery or sale.

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When used in this prospectus, "Kimco," "the Company," "we," "us," or "our" refers to Kimco Realty Corporation and its direct and indirect subsidiaries on a consolidated basis.

WHERE CAN YOU FIND MORE INFORMATION

We have filed with the U.S. Securities and Exchange Commission, or the "SEC," a registration statement on Form S-4, the "exchange offer registration statement," which term shall encompass all amendments, exhibits, annexes and schedules thereto, pursuant to the Securities Act of 1933, as amended, and the rules and regulations thereunder, which we refer to collectively as the Securities Act, covering the common stock being offered. This prospectus does not contain all the information in the exchange offer registration statement. For further information with respect to Kimco Realty Corporation and the exchange offer, reference is made to the exchange offer registration statement. Statements contained in this prospectus as to the contents of any contract or other document are not necessarily complete, and in each instance reference is made to the copy of that contract or other document filed as an exhibit to the registration statement, each such statement being qualified in all respects by that reference and the exhibits and schedules thereto. For a more complete understanding and description of each contract, agreement or other document filed as an exhibit to the exchange offer registration statement, we encourage you to read the documents contained in the exhibits.

We file annual, quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission. Our SEC filings are available to the public over the Internet at the SEC's web site at http://www.sec.gov. You may also read and copy any document we file with the SEC at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549.

You may also obtain copies of our SEC filings at prescribed rates by writing to the Public Reference Section of the SEC at 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549. Please call 1-800-SEC-0330 for further information on the operations at the public reference room. Our SEC filings are also available at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

For further information about us, the exchange offer and the securities offered by this prospectus, you should refer to the registration statement and such exhibits and schedules which may be obtained from the SEC at its principal office in Washington, D.C. upon payment of any fees prescribed by the SEC.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The documents listed below have been filed by us under the Securities Exchange Act of 1934, as amended (the "Securities Exchange Act"), with the SEC and are incorporated by reference in this prospectus:

- Annual Report on Form 10-K for the year ended December 31, 2001;
- Annual Report on Form 10-K for the year ended December 31, 2002;
- Annual Report on Form 10-K for the year ended December 31, 2003; and
- Definitive proxy statement filed on March 29, 2004.

We are also incorporating by reference into this prospectus all documents that we have filed or will file with the SEC as prescribed by Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act since the date of this prospectus and prior to the termination of the exchange offer.

This means that important information about us appears or will appear in these documents and will be regarded as appearing in this prospectus. To the extent that information appearing in a document filed later is inconsistent with prior information, the later statement will control and the prior information, except as modified or superseded, will no longer be a part of this prospectus.

Copies of all documents which are incorporated by reference in this prospectus (not including the exhibits to such information, unless such exhibits are specifically incorporated by reference) will be provided without charge to each person, including any beneficial owner of the securities offered by this prospectus, to whom this prospectus is delivered, upon written or oral request. Requests should be directed to our secretary, 3333 New Hyde Park

Road, New Hyde Park, New York 11042-0020 (telephone number: (516) 869-9000). **To obtain timely delivery of any copies of filings requested, please write or telephone.** You may also obtain copies of these filings, at no cost, by accessing our website at *http://www.kimcorealty.com;* however, the information found on our website is not considered part of this prospectus.

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DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus, including the documents that we incorporate by reference, contains certain historical and forward-looking statements within the meaning of Section 27A of the Securities Act, and Section 21E of the Securities Exchange Act. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 and include this statement for purposes of complying with these safe harbor provisions. Forward-looking statements, which are based on certain assumptions and describe our future plans, strategies and expectations, are generally identifiable by use of the words “believe,” “expect,” “intend,” “anticipate,” “estimate,” “project” or similar expressions. should not rely on forward-looking statements since they involve known and unknown risks, uncertainties and other factors which are, in some cases, beyond our control and which could materially affect actual results, performances or achievements. Our ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Factors which may cause actual results to differ materially from current expectations include, but are not limited to, (i) changes in general economic and local real estate conditions, (ii) the inability of major tenants to continue paying their rent obligations due to bankruptcy, insolvency or general downturn in their business, (iii) financing risks, such as the inability to obtain equity or debt financing on favorable terms, (iv) changes in governmental laws and regulations (including changes to laws governing the taxation of REITs), (v) the level and volatility of interest rates, (vi) the availability of suitable acquisition opportunities and (vii) increases in operating costs. The forward-looking statements included in this prospectus are made only as of the date of this prospectus and we undertake no obligation to publicly update these forward-looking statements to reflect new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events might or might not occur. Accordingly, there is no assurance that our expectations will be realized.

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THE COMPANY

Overview

We began operations through a predecessor in 1966, and today are one of the nation's largest publicly-traded owners and operators of neighborhood and community shopping centers (measured by gross leasable area, which we refer to as "GLA").

As of April 23, 2004, we owned interests in 695 properties, including:

- 619 neighborhood and community shopping centers;
- 33 retail store leases;
- 33 ground up development projects; and
- 10 parcels of undeveloped land.

These properties have a total of approximately 102.0 million square feet of GLA and are located in 41 states, Canada and Mexico. In the opinion of management, our properties are adequately insured.

Our ownership interests in real estate consist of our consolidated portfolio and in portfolios in which we own an economic interest, such as; Kimco Income REIT, the RioCan Venture, Kimco Retail Opportunity Portfolio and other properties or portfolios where we also retain management. We believe our portfolio of neighborhood and community shopping center properties is the largest (measured by GLA) currently held by any publicly-traded REIT.

We believe that we have operated, and we intend to continue to operate, in such a manner to qualify as a REIT under the Internal Revenue Code of 1986, as amended (the "Code"). We are a self-administered REIT and manage our properties through present management, which has owned and managed neighborhood and community shopping centers for more than 40 years. We have not engaged, nor do we expect to retain, any external advisors in connection with the operation of our properties. Our executive officers are engaged in the day-to-day management and operation of our real estate exclusively, and we administer nearly all operating functions for our properties, including leasing, legal, construction, data processing, maintenance, finance and accounting. Our executive offices are located at 3333 New Hyde Park Road, New Hyde Park, New York 11042-0020 and our telephone number is (516) 869-9000.

In order to maintain our qualification as a REIT for federal income tax purposes, we are required to distribute at least 90% of our net taxable income, excluding capital gains, each year. Dividends on any preferred stock issued by us are included as distributions for this purpose. Historically, our distributions have exceeded, and we expect that our distributions will continue to exceed, our net taxable income each year. A portion of such distributions may constitute a return of capital. As a result of the forgoing, our consolidated net worth may decline. We however, do not believe that consolidated stockholders' equity is a meaningful reflection of net real estate values.

Other Information

We may invest in the securities of any one issuer without limitation and we have no limitations on the percentage of our assets that may be invested in any one type of investment. We do not intend to invest our assets in a manner that would require us to register as an "investment company" under the Investment Company Act of 1940. Our policies with respect to these activities and other investing activities may be reviewed and modified from time to time by our Board of Directors without the vote of our stockholders.

We currently do not intend to underwrite the securities of other issuers and, accordingly, have no specific policy with respect to the foregoing.

THE OFFERING

This prospectus relates to Kimcos potential issuance of up to 2,635,046 shares of our common stock to holders of limited partnership units in Kimco Westlake, L.P., or Kimco-Westlake, a California limited partnership, in exchange for the limited partnership units tendered by the limited partners of Kimco-Westlake. This registration statement does not necessarily mean that we will issue any shares of our common stock or that, to the extent that we elect to issue any shares of our common stock, the limited partners that exchange their limited partnership units for our common stock subsequently will offer or sell any of the shares of our common stock.

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The limited partnership units were issued to the limited partners in connection with the formation of Kimco-Westlake. Pursuant to the Kimco-Westlake partnership agreement, the limited partners have the right to exchange their units, at the general partners option, for our common stock or cash. We own and control the general partner.

The number of shares of Kimco common stock a limited partner will be entitled to receive upon tendering units will depend upon the market price of our stock measured over several days before the exchange. If we elect to exchange the limited partnership units for shares of our common stock, as of March 31, 2004, the holders of limited partnership units (other than Kimco) would be entitled to, in the aggregate, 2,383,080 shares representing 2.0% of our total outstanding shares of common stock on a fully-diluted basis.

Instead of issuing common stock upon the exchange of limited partnership units, we may, at our option, deliver cash in an amount equal to the value of the number of shares of our common stock the tendering limited partner would have otherwise received as well as the amount of any preferred return on the units that is accrued and unpaid at the time of the exchange.

The terms and conditions associated with the exchange of units are more fully described below in this prospectus under the heading Exchange of Limited Partnership Units.

EXCHANGE OF LIMITED PARTNERSHIP UNITS

The following description of the exchange rights of limited partners of Kimco Westlake, L.P. is a summary of the exchange provisions of the Agreement of Limited Partnership of Kimco Westlake, L.P. dated as of October 22, 2002 (the Partnership Agreement). This description does not restate the Partnership Agreement in its entirety. We urge you to read the Partnership Agreement because it, and not this description, defines the rights of Kimco-Westlakes limited partners. We have filed a copy of the Partnership Agreement as an exhibit to the registration statement that includes this prospectus.

Terms of Exchange

As of October 22, 2003, each limited partner has the right, upon providing a notice of exchange, to require Kimco-Westlake to acquire all or a portion of the Kimco-Westlake limited partnership units it holds in exchange for cash or, at our election, to transfer to us such units in exchange for shares of our common stock. As of April 29, 2004, the date of this prospectus, the limited partners (other than Kimco) own an aggregate of 2,383,080 limited partnership units.

Upon exchange, a tendering limited partner will receive at our election, either (1) that number of shares of our common stock determined by multiplying the number of limited partnership units, and any Additional Units (as defined in the Partnership Agreement), tendered by an exchange factor included in the provisions of the Partnership Agreement or (2) an amount of cash equal to the value of such shares of our common stock, such value to be determined as provided in the Partnership Agreement, plus, any preferred returns accrued on limited partner units, but not yet paid. If we elect to deliver cash in lieu of all or any portion of our common stock, the market value of those shares will be equal to the average of the closing trading price of our common stock for the twenty trading days ending on the trading day immediately prior to the day on which we receive notification from the limited partner of its intention to effect an exchange.

Our acquisition of the limited partnership units will be treated as a sale of the limited partnership units to us for federal income tax purposes. See Material Federal Income Tax ConsiderationsTax Consequences of Exchange of Units.

A limited partner effecting an exchange of all or a portion of its limited partnership units must deliver to Kimco a Notice of Exchange, substantially in the form of Exhibit B to the Partnership Agreement. A limited partner has the right to receive the number of shares of our common stock in an amount determined as described in the Partnership Agreement and as summarized above. Common stock received in an exchange shall be delivered on the terms provided in the Partnership Agreement and as duly authorized, validly issued, fully paid and non-assessable shares, free of any pledge, lien, encumbrance or restriction, other than those provided in Kimcos charter and bylaws, the Securities Act, relevant state securities or blue sky laws and any applicable registration rights agreement with respect to such shares into which the limited partner has entered.

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We will not be obligated to effect an exchange of tendered limited partnership units if the issuance of our common stock to the tendering limited partner would cause us to fail to qualify as a REIT or violate the terms of our charter.

Comparison of Ownership of Limited Partnership Units and Common Stock

Generally, the nature of an investment in our common stock is similar in several respects to an investment in limited partnership units. Nevertheless, there are also differences between ownership of limited partnership units and ownership of our common stock, some of which may be material to investors.

The information below highlights a number of the significant differences between the Kimco-Westlake limited partnership and us, relating to, among other things, form of organization, management control, voting rights, compensation and fees, investor rights, liquidity and federal income tax considerations. These comparisons are intended to assist Kimco-Westlake's limited partners in understanding how their investment will be changed if they exchange their units and receive shares of our common stock.

This discussion is a summary and is not a complete discussion of these matters. You should carefully review the balance of this prospectus and the registration statement (of which this prospectus is a part) for additional important information about us.

Form of Organization and Assets Owned—Kimco-Westlake

Kimco-Westlake is a California limited partnership. As of April 29, 2004, Kimco-Westlake owned a shopping center, commonly known as Westlake Shopping Center, in Daly City, California.

Form of Organization and Assets Owned—Kimco

Kimco is a Maryland corporation. Kimco has elected to be taxed as a REIT under the Code. We believe we have been organized and operated in a manner that allows us to qualify for taxation as a REIT and we intend to continue to operate in this manner. As of April 23, 2004, Kimco's portfolio of properties consisted of:

- 619 neighborhood and community shopping centers;
- 33 retail store leases;
- 33 ground up development projects; and
- 10 parcels of undeveloped land;

comprising a total of approximately 102.0 million square feet of leasable space located in 41 states, Canada and Mexico.

Purpose—Kimco—Westlake

Kimco-Westlake's purpose is to own, lease, operate, maintain, repair, develop, redevelop, finance, sell or exchange and otherwise deal with the Westlake Shopping Center (or any successor property(ies)) and to carry on other business typical for an owner or operator of real property with respect to the Westlake Shopping Center.

Purpose—Kimco

Under our charter and bylaws, Kimco may engage in any lawful act or activity for which corporations may be organized under the general laws of the State of Maryland.

Additional EquityKimco-Westlake

Kimco-Westlake may only issue additional partnership interests to the general partner or us, in our capacity as limited partner, in exchange for additional capital contributions to the extent such additional capital contributions are necessary to meet Kimco-Westlakes capital requirements. The limited partners have no preemptive or similar rights with respect to any additional capital contributions.

Additional EquityKimco

Subject to applicable New York Stock Exchange rules and regulations, our board of directors may issue, in its discretion, additional shares of stock; provided, that the total number of shares issued does not exceed the authorized number of shares of stock in our charter (currently, 310,600,000 shares, including 200,000,000 shares of common stock).

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Management Control—Kimco-Westlake

All management powers over the business and affairs of Kimco-Westlake are vested in its general partner. No limited partner has any right to participate in or exercise control or management power over the business and affairs of Kimco-Westlake, except for certain actions that require the consent of the limited partners. Kimwest 186, Inc. may not be removed as general partner, with or without cause, except with Kimwest 186, Inc.'s consent.

Management Control—Kimco

Our business and affairs are managed and under the direction of our Board of Directors.

Fiduciary Duties—Kimco-Westlake

Under California law, the general partner is accountable to Kimco-Westlake and the other partners as a fiduciary and, consequently, is required to exercise the duty of loyalty and the duty of care consistent with the obligation of good faith and fair dealing. The Kimco-Westlake partnership agreement generally provides that neither the general partner, nor any of its directors or officers will be liable for monetary damages to Kimco-Westlake or any limited partner for losses sustained, or liabilities incurred as a result of errors in judgment or for any act or omission if the general partner or such officer or director acted in good faith. The general partner may consult with legal counsel, accountants, appraisers, management consultants, investment bankers, architects, engineers, environmental consultants and other consultants and advisers selected by it, and the general partner will not be liable for any loss, liability, damage, cost or expense, including, without limitation, attorneys' fees and disbursements, resulting from any act taken or omitted to be taken in good faith in reliance upon the opinion of such Persons as to matters which such general partner reasonably believes to be within such person's professional or expert competence.

Standard of Conduct—Kimco

Under Maryland law, members of our board of directors have a statutory standard of conduct which requires each director to perform his or her duties in good faith, in a manner that he or she reasonably believes to be in the best interests of Kimco and with the care that an ordinarily prudent person in a like position would use under similar circumstances. Directors of Kimco who act in such a manner generally will not be liable to us.

Management Liability and Indemnification—Kimco-Westlake

Kimco-Westlake has agreed to indemnify the general partner and any director, officer or partner, or shareholder of the general partner from and against all losses, claims, damages, liabilities, joint or several, expenses (including reasonable legal fees and expenses), judgments, fines, settlements and other amounts incurred in connection with any actions that relate to Kimco-Westlake or its business, affairs, properties or operations, or to indebtedness or obligations of Kimco-Westlake in which the general partner, or the general partner's directors, officers, partner or shareholder is involved, unless (1) the act or omission of the general partner, or such directors, officers partners or shareholders, was material to the matter giving rise to the proceedings and was either committed in intentional bad faith or was the result of active and deliberate dishonesty, (2) the general partner, or such directors, officers partners or shareholders, actually received an improper and unpermitted personal benefit, or (3) in the case of any criminal proceeding, the general partner, or such directors , officers partners or shareholders, had reasonable cause to believe the act was unlawful. Kimco-Westlake will reimburse the reasonable expenses incurred by the general partner, or such directors, officers partners or shareholders of the general partner, in advance of the final disposition of the proceeding. No partner of Kimco-Westlake, including the general partner, is obligated to make capital contributions to enable Kimco-Westlake to fund these indemnification obligations.

Management Liability and Indemnification—Kimco

Under Maryland law, a Maryland corporation may include in its charter a provision limiting the liability of directors and officers to the corporation and its stockholders for money damages, except for liability resulting from (a) actual receipt of an improper benefit or profit in money, property or services or (b) active and deliberate dishonesty established by a final judgment and which is material to the cause of action. Our charter contains a provision which eliminates directors' and officers' liability to the maximum extent permitted by Maryland law.

Our charter authorizes us, to the maximum extent permitted by Maryland law, to obligate Kimco to indemnify any present or former director or officer or any individual who, while a director of Kimco and at the request of Kimco, serves or has served another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise as a director, officer, partner or trustee, from and against any claim or liability to which that individual may become subject or which that individual may incur by reason of his or her status as a present or former director or officer of the Kimco and to pay or reimburse his or her reasonable expenses in advance of final disposition of a proceeding. Our Bylaws obligate us, to the maximum extent permitted by Maryland law, to indemnify any present or former director or officer or any individual who, while a director or officer of the Kimco and at our request, serves or has served another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise as a director, officer, partner or trustee and who is made a party to the proceeding by reason of his service in that capacity from and against any claim or liability to which that individual may become subject or which that individual may incur by reason of his or her status as a present or former director or officer of Kimco and to pay or reimburse his or her reasonable expenses in advance of final disposition of a proceeding.

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Our charter and bylaws also permit Kimco, with approval of its board of directors, provide such indemnification to a person who served a predecessor of Kimco in such capacity described above and to any employee or agent of Kimco or a predecessor of Kimco.

Maryland law requires a corporation (unless its charter provides otherwise, which Kimco□s charter does not) to indemnify a director or officer who has been successful in the defense of any proceeding to which he is made a party by reason of his service in that capacity and permits a corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made a party by reason of their service in those or other capacities unless it is established that (a) the act or omission of the director or officer was material to the matter giving rise to the proceeding and (i) was committed in bad faith or (ii) was the result of active and deliberate dishonesty, (b) the director or officer actually received an improper personal benefit in money, property or services or (c) in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful. However, under Maryland law, a Maryland corporation may not indemnify for an adverse judgment in a suit by or in the right of the corporation or for a judgment of liability on the basis that personal benefit was improperly received, unless in either case a court orders indemnification and then only for expenses. In addition, Maryland law permits a corporation to advance reasonable expenses to a director or officer upon the corporation□s receipt of (a) a written affirmation by the director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification by the corporation and (b) a written undertaking by him or her or on his or her behalf to repay the amount paid or reimbursed by the corporation if it is ultimately determined that the standard of conduct was not met.

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Anti-takeover ProvisionsKimco-Westlake

Except in limited circumstances, the general partner has exclusive management power over the business and affairs of Kimco-Westlake. Accordingly, the general partner may hinder the ability of Kimco-Westlake to engage in a merger transaction or other business combination. The general partner may not be removed as general partner by the other partners, with or without cause, unless the general partner consents to such removal. A limited partner may generally transfer all or any portion of its partnership interest in Kimco-Westlake only with the consent of the general partner, such consent not to be unreasonably withheld. Limited partners may transfer their interest in Kimco-Westlake in limited circumstances, including transfers to certain family members, trusts, other limited partners, as a pledge to a lending institution and, if the limited partner is not a natural person, to its stockholders, partners or owners. The transfer restrictions of Kimco-Westlake limited partnership interests are complex and the Kimco-Westlake partnership agreement should be reviewed in its entirety by a qualified advisor prior to the taking of an investment decision.

Anti-takeover ProvisionsKimco

Our charter and bylaws contain provisions that may have the effect of delaying or discouraging a proposal for the acquisition of Kimco or the removal of incumbent management. These provisions include, among others, provisions designed to avoid concentration of share ownership in a manner that would jeopardize our status as a REIT under the Code.

The Maryland General Corporation Law (MGCL) provides protection for Maryland corporations against unsolicited takeovers by protecting the board of directors with regard to actions taken in a takeover context. The MGCL provides that the duties of directors will not require them to:

- accept, recommend or respond to any proposal by a person seeking to acquire control;
- make a determination under the Maryland Business Combination Act or the Maryland Control Share Acquisition Act, as described below;
- elect to be subject to any or all of the elective provisions described below; or
- act or fail to act solely because of (i) the effect the act or failure to act may have on an acquisition or potential acquisition of control or (ii) the amount or type of consideration that may be offered or paid to stockholders in an acquisition.

The MGCL also establishes a presumption that the act of a director satisfies the required standard of conduct and an act of a director relating to or affecting an acquisition or a potential acquisition of control is not subject to a higher duty or greater scrutiny than is applied to any other act of a director. This provision creates a Maryland rule which is less exacting than case law in many other jurisdictions, which generally imposes an enhanced level of scrutiny when a board implements anti-takeover measures in a change of control context and shifts the burden of proof to the board to show that the defensive mechanism adopted by a board is reasonable in relation to the threat posed.

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Voting Rights—Kimco-Westlake

Under the Partnership Agreement, limited partners have voting rights only as to specified matters including, (1) amending or terminating the Partnership Agreement, except in limited circumstances, (2) confessing a judgment against Kimco-Westlake, (3) instituting proceedings in bankruptcy on behalf of Kimco-Westlake, making a general assignment for the benefit of creditors, or appointing or acquiescing to the appointment of any receiver, transferor, assignor, liquidation, or other similar official for the assets of Kimco-Westlake, (4) approving the transfer of the general partner’s interest to any person or entity other than Kimco-Westlake or another entity which is a qualified REIT subsidiary or taxable REIT subsidiary of ours, (5) admitting any additional or substitute general partners, and (6) admitting any additional partners.

Voting Rights—Kimco

Kimco’s directors are elected at the annual meeting of stockholders and serve one year terms with the exception that vacancies on the board are filled by a majority vote of Kimco’s directors, and directors so appointed serve until the next annual meeting of stockholders.

A Maryland corporation generally cannot dissolve, amend its charter, merge, sell all or substantially all of its assets, engage in a share exchange or engage in similar transactions outside the ordinary course of business, unless approved by the affirmative vote of stockholders holding at least two thirds of the shares entitled to vote on the matter. However, a Maryland corporation may provide in its charter for approval of these matters by a lesser percentage, but not less than a majority of all of the votes entitled to be cast on the matter. Our charter does not provide for a lesser percentage in these situations.

Amendment of the Partnership Agreement—Kimco-Westlake

Kimco-Westlake’s partnership agreement may be amended with the consent of the limited partners, other than us, holding a majority of the limited partner interests, exclusive of the limited partner interests held by us. The general partner may amend the partnership agreement without the consent of the limited partners if the purpose or the effect of such amendment is to add to the obligations of the general partner or surrender any right or power granted to the general partner or to reflect the admission, substitution, termination or withdrawal of partners. Notwithstanding the foregoing, no amendment will be adopted if it would convert a limited partner interest into a general partner interest, increase the liability of a limited partner, alter (subject to certain exceptions) any of the rights of the partners to distributions, alter or modify exchange rights, cause the early termination of Kimco-Westlake or modify the amendment provisions of the Partnership Agreement, in each case without the consent of each limited partner adversely affected thereby.

Amendment of the Charter—Kimco

Under Maryland law, most amendments to Kimco’s charter must be approved by the board of directors and by the vote of at least two-thirds of the votes entitled to be cast at a meeting of stockholders.

Vote Required to Dissolve—Kimco-Westlake

Kimco-Westlake will dissolve at the expiration of its term or upon (1) an election by the general partner, provided the consent of limited partners holding 50% of the limited partner interests, exclusive of the limited partner interests held by us, is obtained, (2) except in connection with a tax-free exchange, the sale, disposition, exchange or transfer of all or substantially all of the properties owned by Kimco-Westlake, (3) an event of withdrawal of the general partner unless the holders of a majority of the limited partners, other than us, agree to continue the partnership, or (4) a judicial decree of dissolution.

Vote Required to Dissolve—Kimco

Under Maryland law, a dissolution must be approved by our board of directors and by a vote of at least two-thirds of the outstanding common stock of Kimco.

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Compensation, Fees and DistributionsKimco-Westlake

Kimco is a limited partner of Kimco-Westlake and Kimco-Westlakes general partner is a wholly owned subsidiary of Kimco. The general partner and Kimco, in its capacity as a limited partner, generally receive allocations and distributions in amounts that are dependent upon the financial performance of Kimco-Westlake. In addition, under the Kimco-Westlake partnership agreement, the general partner is also compensated for its services rendered to Kimco-Westlake.

Compensation, Fees and DistributionsKimco

Our officers and outside directors receive compensation for their services as more fully described in the Proxy Statement incorporated by reference into this prospectus.

Liability of InvestorsKimco-Westlake

Subject to any written agreements entered into by the limited partners, under the Kimco-Westlake partnership agreement and California law, the liability of the limited partners for the debts and obligations of Kimco-Westlake is generally limited to the amount of their investment in Kimco-Westlake, together with their interest in any undistributed income.

Liability of InvestorsKimco

Under Maryland law, our stockholders generally are not personally liable for Kimcos debts or obligations.

LiquidityKimco-Westlake

Limited partners may generally transfer their limited partnership units only with the consent of the general partner, which consent shall not be unreasonably withheld. Notwithstanding the foregoing, within fifteen business days of receiving written notice of a proposed transfer, the general partner may purchase any or all of the limited partnership units being transferred by the transferring limited partner under the same terms, and for the same consideration, as the proposed transfer. Also see Anti-takeover ProvisionsKimco-Westlake above.

LiquidityKimco

Shares of our common stock issued pursuant to this prospectus will be freely transferable, subject to the restrictions on ownership contained in our charter and the prospectus delivery and other requirements of the Securities Act.

Our common stock is listed on the New York Stock Exchange. The breadth and strength of this secondary market will depend, among other things, upon the number of shares outstanding, our financial results and prospects, the general interest in our and other real estate investments, and our dividend yield compared to that of other debt and equity securities.

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Taxes—Kimco-Westlake

Kimco-Westlake itself is not subject to federal income taxes. Instead, each holder of limited partnership units includes its allocable share of Kimco-Westlake’s taxable income or loss in determining its individual federal income tax liability. Cash distributions from Kimco-Westlake are not taxable to a holder of limited partnership units except to the extent they exceed such holder’s basis in its interest in Kimco-Westlake, which will include such holder’s allocable share of Kimco-Westlake’s non-recourse debt.

Depending on facts that are particular to each limited partner, a limited partner’s allocable share of income or loss from Kimco-Westlake may be subject to “passive activity” limitations. Under the “passive activity” rules, a limited partner’s allocable share of income from Kimco-Westlake that is considered “passive” generally can be offset against a limited partner’s income and loss from other investments that constitute “passive activities,” and a limited partner’s allocable share of loss from Kimco-Westlake that is considered “passive” generally may be offset only against a limited partner’s income from other investments that constitute “passive activities.”

Limited partners are required, in some cases, to file state income tax returns and/or pay state income taxes in the states in which Kimco-Westlake owns property, even if they are not residents of those states.

Taxes—Kimco

Distributions made by us to our taxable domestic stockholders out of current or accumulated earnings and profits generally will be taken into account by them as ordinary income. Distributions that are designated as capital gain dividends generally will be taxed as gains from the sale or disposition of a capital asset at a rate of 15% or 25%. Distributions in excess of current or accumulated earnings and profits (other than capital gain dividends) will be treated as a non-taxable return of basis to the extent of a stockholder’s adjusted basis in its common stock, with the excess taxed as capital gain. See “Material Federal Income Tax Considerations.”

Dividends paid by us will not be treated as income from “passive activities” and cannot be offset with losses from “passive activities.”

Stockholders who are individuals generally will not be required to file state income tax returns and/or pay state income taxes outside of their state of residence with respect to our operations and distributions. Kimco may be required to pay state income taxes in certain states.

Regulatory Approvals

Other than the federal securities laws, there are no federal or state regulatory requirements that we must comply with and there are no approvals that we must obtain in connection with the exchange offer.

Accounting Treatment

[TO BE DETERMINED]

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RISK FACTORS

You should carefully consider the following risks and all of the information set forth in this prospectus before participating in the exchange offer. The risks described below are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially adversely affect our business operations. Any of the following risks could materially adversely affect our business, financial condition or results of operations.

Loss of our tax status as a real estate investment trust would have significant adverse consequences to us and the value of our securities.

We elected to be taxed as a REIT for federal income tax purposes under the Code commencing with our taxable year beginning January 1, 1992. We currently intend to operate so as to qualify as a REIT and believe that our current organization and method of operation comply with the rules and regulations promulgated under the Code to enable us to qualify as a REIT.

Qualification as a REIT involves the application of highly technical and complex Code provisions for which there are only limited judicial and administrative interpretations. The determination of various factual matters and circumstances not entirely within our control may affect our ability to qualify as a REIT. For example, in order to qualify as a REIT, at least 95% of our gross income in any year must be derived from qualifying sources, and we must satisfy a number of requirements regarding the composition of our assets. Also, we must make distributions to stockholders aggregating annually at least 90% of our net taxable income, excluding capital gains. In addition, new legislation, regulations, administrative interpretations or court decisions could significantly change the tax laws with respect to qualification as a REIT, the federal income tax consequences of such qualification or the desirability of an investment in a REIT relative to other investments. Although we believe that we are organized and have operated in such a manner, we can give no assurance that we have qualified or will continue to qualify as a REIT for tax purposes.

If we lose our REIT status, we will face serious tax consequences that will substantially reduce the funds available to make payment of principal and interest on the debt securities we issue and to pay dividends to our stockholders. If we fail to qualify as a REIT:

- we would not be allowed a deduction for distributions to stockholders in computing our taxable income and would be subject to federal income tax at regular corporate rates;
- we also could be subject to the federal alternative minimum tax and possibly increased state and local taxes; and
- unless we are entitled to relief under statutory provisions, we could not elect to be subject to tax as a REIT for four taxable years following the year during which we were disqualified.

In addition, if we fail to qualify as a REIT, we would not be required to make distributions to stockholders.

As a result of all these factors, our failure to qualify as a REIT also could impair our ability to expand our business and raise capital, and would adversely affect the value of our securities.

U.S. federal income tax law developments could affect the desirability of investing in our common stock because of our REIT status.

In May 2003, legislation was enacted that reduces the maximum tax rate of non-corporate taxpayers for capital gains generally from 20% to 15% (from May 6, 2003 through 2008) and for dividends payable to non-corporate taxpayers generally from 38.6% to 15% (from January 1, 2003 through 2008). In general, dividends payable by REITs are not eligible for such treatment except in limited circumstances which we do not contemplate. However, the recent legislation reduces the maximum tax rate of non-corporate taxpayers on ordinary income from 38.6% to 35%.

Although this legislation does not adversely affect the taxation of REITs or dividends paid by REITs, the more favorable treatment of regular corporate dividends could cause investors who are individuals to consider stocks of other corporations that pay dividends as more attractive relative to stocks of REITs. It is not possible to predict whether this change in perceived relative value will occur, or what the effect will be on the market price of our stock.

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Adverse market conditions and competition may impede our ability to generate sufficient income to pay expenses and maintain properties.

The economic performance and value of our properties are subject to all of the risks associated with owning and operating real estate including:

- changes in the national, regional and local economic climate;
- local conditions, including an oversupply of space in properties like those that we own, or a reduction in demand for properties like those that we own;
- the attractiveness of our properties to tenants;
- the ability of tenants to pay rent;
- competition from other available properties;
- changes in market rental rates;
- the need to periodically pay for costs to repair, renovate and re-let space;
- changes in operating costs, including costs for maintenance, insurance and real estate taxes;
- the fact that the expenses of owning and operating properties are not necessarily reduced when circumstances such as market factors and competition cause a reduction in income from the properties; and
- changes in laws and governmental regulations, including those governing usage, zoning, the environment and taxes.

Downturns in the retailing industry likely will have a direct impact on our performance.

Our properties consist primarily of community and neighborhood shopping centers and other retail properties. Our performance therefore is linked to economic conditions in the market for retail space generally. The market for retail space has been or could be adversely affected by weakness in the national, regional and local economies, the adverse financial condition of some large retailing companies, the ongoing consolidation in the retail sector, the excess amount of retail space in a number of markets, and increasing consumer purchases through catalogues and the internet. To the extent that any of these conditions occur, they are likely to impact market rents for retail space.

Failure by any anchor tenant with leases in multiple locations to make rental payments to us, because of a deterioration of its financial condition or otherwise, could impact our performance.

Our performance depends on our ability to collect rent from tenants. At any time, our tenants may experience a downturn in their business that may significantly weaken their financial condition. As a result, our tenants may delay a number of lease commencements, decline to extend or renew leases upon expiration, fail to make rental payments when due, close stores or declare bankruptcy. Any of these actions could result in the termination of the tenant's leases and the loss of rental income attributable to the terminated leases. In addition, lease terminations by an anchor tenant or a failure by that anchor tenant to occupy the premises could result in lease terminations or reductions in rent by other tenants in the same shopping centers under the terms of some leases. In that event, we may be unable to re-lease the vacated space at attractive rents or at all. The occurrence of any of the situations described above, particularly if it involves a substantial tenant with leases in multiple locations, could impact our performance.

We may be unable to collect balances due from any tenants in bankruptcy.

We cannot assure you that any tenant that files for bankruptcy protection will continue to pay us rent. A bankruptcy filing by or relating to one of our tenants or a lease guarantor would bar all efforts by us to collect pre-bankruptcy debts from the tenant or the lease guarantor, or their property, unless we receive an order permitting us to do so from the bankruptcy court. A tenant or lease guarantor bankruptcy could delay our efforts to collect past due balances under the relevant leases, and could ultimately preclude collection of these sums. If a lease is assumed by the tenant in bankruptcy, all pre-bankruptcy balances due under the lease must be paid to us in full. However, if a lease is rejected by a tenant in bankruptcy, we would have only a general unsecured claim for damages. Any unsecured claim we hold may be paid only to the extent that funds are available and only in the same percentage as is paid to all other holders of unsecured claims, and there are restrictions under bankruptcy laws which limit the amount of the claim we can make if a lease is rejected. As a result, it is likely that we will recover substantially less than the full value of any unsecured claims we hold.

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Real estate property investments are illiquid, and therefore we may not be able to dispose of properties when appropriate or on favorable terms.

Real estate property investments generally cannot be disposed of quickly. In addition, the Code imposes restrictions on a REITs ability to dispose of properties that are not applicable to other types of real estate companies. Therefore, we may not be able to vary our portfolio in response to economic or other conditions promptly or on favorable terms.

We do not have exclusive control over our joint venture investments, so we are unable to ensure that our objectives will be pursued.

We have invested in some cases as a co-venturer or partner in properties, instead of owning directly. These investments involve risks not present in a wholly owned ownership structure. In these investments, we do not have exclusive control over the development, financing, leasing, management and other aspects of these investments. As a result, the co-venturer or partner might have interests or goals that are inconsistent with our interests or goals, take action contrary to our interests or otherwise impede our objectives. The co-venturer or partner also might become insolvent or bankrupt.

Our financial covenants may restrict our operating and acquisition activities.

Our revolving credit facility and the indenture under which our senior unsecured debt is issued contain certain financial and operating covenants, including, among other things, certain coverage ratios, as well as limitations on our ability to incur secured and unsecured debt, make dividend payments, sell all or substantially all of our assets and engage in mergers and consolidations and certain acquisitions. These covenants may restrict our ability to pursue certain business initiatives or certain acquisition transactions. In addition, failure to meet any of the financial covenants could cause an event of default under and/or accelerate some or all of our indebtedness, which would have a material adverse effect on us.

We may be subject to environmental regulations.

Under various federal, state, and local laws, ordinances and regulations, we may be considered an owner or operator of real property and may be responsible for paying for the disposal or treatment of hazardous or toxic substances released on or in our property or disposed of by us, as well as certain other potential costs which could relate to hazardous or toxic substances (including governmental fines and injuries to persons and property). This liability may be imposed whether or not we knew about, or were responsible for, the presence of hazardous or toxic substances.

Our ability to lease or develop properties is subject to competitive pressures.

We face competition in the acquisition, development, operation and sale of real property from individuals and businesses who own real estate, fiduciary accounts and plans and other entities engaged in real estate investment. Some of these competitors have greater financial resources than we do. This results in competition for the acquisition of properties, for tenants who lease or consider leasing space in our existing and subsequently acquired properties and for other real estate investment opportunities.

Changes in market conditions could adversely affect the market price of our publicly traded securities.

As with other publicly traded securities, the market price of our publicly traded securities depends on various market conditions, which may change from time to time. Among the market conditions that may affect the market price of our publicly traded securities are the following:

- the extent of institutional investor interest in us;
- the reputation of REITs generally and the reputation of REITs with portfolios similar to ours;
- the attractiveness of the securities of REITs in comparison to securities issued by other entities (including securities issued by other real estate companies);

- our financial condition and performance;
- the market's perception of our growth potential and potential future cash dividends;
- an increase in market interest rates, which may lead prospective investors to demand a higher distribution rate in relation to the price paid for our shares; and
- general economic and financial market conditions.

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USE OF PROCEEDS

The exchange offer is intended to satisfy our obligations under the Registration Rights Agreement dated as of October 22, 2002, by and between us and Westlake Development Company, Inc. We will not receive any proceeds from the issuance of our common stock in the exchange offer. We will receive in exchange the limited partnership units of the tendering limited partners of Kimco Westlake, L.P.

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PRO FORMA INFORMATION

The following unaudited pro forma financial statements give effect to the exchange of Limited Partnership Units of Kimco Westlake, L. P. for Kimco Realty Corporation common stock to be accounted for as a convertible securities transaction. The unaudited pro forma consolidated balance sheet assumes the exchange of limited partnership units for shares of the Company's common stock as of December 31, 2003. The unaudited pro forma consolidated statement of income gives effect to the exchange of limited partnership units for the year ended December 31, 2003 as if the exchange had occurred on January 1, 2003.

KIMCO REALTY CORPORATION AND SUBSIDIARIES
PRO FORMA CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2003
(in thousands, except share information)
(Unaudited)

	Historical December 31, 2003	Pro Forma Adjustments (Note 1)	Pro Forma December 31, 2003
Assets:			
Operating real estate, net of accumulated depreciation of $587,309 and $587,309, respectively	$3,264,223		$3,264,223
Investments and advances in real estate joint ventures	487,394		487,394
Real estate under development	304,286		304,286
Other real estate investments	113,085		113,085
Mortgages and other financing receivables	101,691		101,691
Cash and cash equivalents	48,288		48,288
Marketable securities	45,677		45,677
Accounts and notes receivable	50,408		50,408
Other assets	188,873		188,873
	$4,603,925		$4,603,925
Liabilities:			
Noties payable	$1,686,250		$1,686,250
Mortgages payable	375,914		375,914
Construction loans payable	92,784		92,784
Other liabilies	213,214		213,214
	2,368,162		2,368,162
Minority interests in partnerships	99,917	80,000 (a)	19,917
Stockholders' equity:			
Preferred stock, $1.00 par value, authorized 3,600,000 shares			
Class F Preferred Stock, $1.00 par value, authorized 700,000 shares			
Issued and outstanding 700,000 shares	700		700
Aggregate liquidation preference $175,000			
Common stock, $.01 par value, authorized 200,000,000 shares			
Issued and outstanding 111,052,341 and 113,435,421 shares, respectively	1,106	24 (b)	1,130
Paid-in capital	2,147,286	79,976 (c)	2,227,262
Cumulative distributions in excess of net income	(30,112)		(30,112)
	2,118,980		2,198,980

Accumulated other comprehensive income	16,866	16,866
	2,135,846	2,215,846
	$4,603,925	$4,603,925

Note 1 The pro forma balance sheet gives effect to the exchange of 2,383,080 limited partnership units for 2,383,080 shares of the Companys common stock based upon the Agreed Value, as defined of $80.0 million or $33.57 per common share. Pro Forma adjustments are made to reflect:

(a) the elimination of the Kimco Westlake, L.P. minority interest balance.

(b) par value of 2,383,080 shares common stock.

(c) Additional paid in capital

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KIMCO REALTY CORPORATION AND SUBSIDIARIES
PRO FORMA CONSOLIDATED STATEMENT OF INCOME
For the Year Ended December 31, 2003
(in thousands, except per share information)
(Unaudited)

	Historical 2003	Pro Forma Adjustments (Note 2)	Pro Forma 2003
Real estate operations:			
Revenues from rental property	$ 479,664		$ 479,664
Rental property expenses:			
Rent	11,240		11,240
Real estate taxes	61,276		61,276
Operating and maintenance	53,979		53,979
	126,495		126,495
	353,169		**353,169**
Income from other real estate investments			

Stockholders' equity:			
Special voting preferred stock, $0.01 par value per share, 10 shares authorized, issued and outstanding	—	—	—
Class A common stock, $0.01 par value per share, 21,200,000 shares authorized, 11,969,604, 11,905,156 and 11,785,705 shares issued and outstanding, respectively	120	119	118
Class B common stock, $0.01 par value per share, 1,000,000 shares authorized, 900,000 shares issued and outstanding	9	9	9
Exchangeable shares, $0.01 par value, 1,000,000 shares issued and outstanding	10	10	10
Additional paid-in capital	6,385	4,082	2,049
Accumulated other comprehensive loss, net of taxes	(2,430)	(697)	(1,171)
Retained earnings	75,840	95,339	70,800
Total stockholders' equity	79,934	98,862	71,815
Total liabilities and stockholders' equity	$ 303,800	$ 184,146	$271,805

See accompanying notes to condensed consolidated financial statements.

LIBERTY TAX, INC. AND SUBSIDIARIES
Consolidated Statements of Operations
Three and Nine Months Ended January 31, 2016 and 2015 (unaudited)
(In thousands, except share count and per share data)

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2016	2015	2016	2015
Revenue:				
Franchise fees	$1,011	$968	$2,526	$2,996
AD fees	1,363	1,592	4,491	5,066
Royalties and advertising fees	25,571	25,457	28,589	28,350
Financial products	17,266	13,370	17,781	14,027
Interest income	3,188	3,222	7,503	7,200
Tax preparation fees, net of discounts	3,843	1,942	4,805	2,848
Other revenue	1,379	1,129	3,320	2,766
Total revenue	53,621	47,680	69,015	63,253
Operating expenses:				
Employee compensation and benefits	11,638	10,686	28,454	28,736
Selling, general, and administrative expenses	12,585	12,834	29,097	30,809
AD expense	9,340	9,178	10,722	10,776
Advertising expense	8,972	8,161	14,072	14,022
Depreciation, amortization, and impairment charges	2,118	2,527	5,626	6,855
Total operating expenses	44,653	43,386	87,971	91,198
Income (loss) from operations	8,968	4,294	(18,956)	(27,945)
Other expense:				
Foreign currency transaction loss	(14)	(35)	(39)	(45)
Interest expense	(705)	(683)	(1,592)	(1,550)
Income (loss) before income taxes	8,249	3,576	(20,587)	(29,540)
Income tax expense (benefit)	3,511	1,657	(7,717)	(11,487)
Net Income (loss)	4,738	1,919	(12,870)	(18,053)
Less: Net income attributable to participating securities	(343)	(140)	—	—
Net income (loss) attributable to Class A and Class B common stockholders	$4,395	$1,779	$(12,870)	$(18,053)
Earnings (loss) per share of Class A and Class B common stock:				
Basic	$0.34	$0.14	$(1.01)	$(1.42)
Diluted	0.34	$0.13	(1.01)	(1.42)
Weighted-average shares outstanding basic	12,795,367	12,679,286	12,794,185	12,742,288
Weighted-average shares outstanding diluted	14,002,356	14,227,163	12,794,185	12,742,288
Dividends declared per share of common stock and common stock equivalents	$0.16	$—	$0.48	$—

See accompanying notes to condensed consolidated financial statements.

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LIBERTY TAX, INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income (Loss)
Three and Nine Months Ended January 31, 2016 and 2015 (unaudited)
(In thousands)

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2016	2015	2016	2015
Net Income (loss)	$4,738	$1,919	$(12,870)	$(18,053)
Unrealized loss on available-for-sale securities, net of taxes of $208, $-, $208 and $-, respectively	(347)	—	(347)	—
Foreign currency translation adjustment	(488)	(1,339)	(1,362)	(1,508)
Forward contracts related to foreign currency exchange rates	(23)	271	(23)	271
Comprehensive income (loss)	$3,880	$851	$(14,602)	$(19,290)

See accompanying notes to condensed consolidated financial statements.

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LIBERTY TAX, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
Nine Months Ended January 31, 2016 and 2015 (unaudited)
(In thousands)

	2016	2015
Cash flows from operating activities:		
Net loss	$(12,870)	$(18,053)
Adjustments to reconcile net loss to net cash used in operating activities:		
Provision for doubtful accounts	4,589	4,453
Depreciation, amortization, and impairment charges	5,626	6,855
Stock-based compensation expense	1,348	2,002
Gain on bargain purchases and sales of Company-owned offices	(470)	(310)
Deferred tax expense	7,253	144
Changes in accrued income taxes	(18,283)	(27,110)
Changes in other assets and liabilities	(55,476)	(22,202)
Net cash used in operating activities	(68,283)	(54,221)
Cash flows from investing activities:		
Issuance of operating loans to franchisees	(81,364)	(74,298)
Payments received on operating loans to franchisees	3,077	16,410
Purchases of AD rights and Company-owned offices	(3,713)	(8,218)
Proceeds from sale of Company-owned offices and AD rights	2,851	3,690
Purchase of available-for-sale securities	(4,999)	—
Purchases of property, equipment and software	(8,685)	(9,532)
Net cash used in investing activities	(92,833)	(71,948)
Cash flows from financing activities:		
Proceeds from the exercise of stock options	1,998	10,053
Repurchase of common stock	(1,977)	(35,910)
Dividends paid	(6,629)	—
Repayment of amounts due to former ADs	(2,429)	(4,211)
Repayment of debt	(726)	(949)
Borrowings under revolving credit facility	151,225	136,565
Repayments under revolving credit facility	(543)	(25,803)
Payment for debt issue costs	—	(917)
Tax benefit of stock option exercises	933	4,776
Net cash provided by financing activities	141,852	83,604
Effect of exchange rate changes on cash, net	(336)	(365)
Net decrease in cash and cash equivalents	(19,600)	(42,930)
Cash and cash equivalents at beginning of period	21,387	46,080
Cash and cash equivalents at end of period	$1,787	$3,150

See accompanying notes to condensed consolidated financial statements.

LIBERTY TAX, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
Nine Months Ended January 31, 2016 and 2015 (unaudited)
(In thousands)

	2016	2015
Supplemental disclosures of cash flow information:		
Cash paid for interest, net of capitalized interest of $225 and $135, respectively	$974	$948
Cash paid for taxes, net of refunds	2,374	10,849
Accrued capitalized software costs included in accounts payable	292	252
During the nine months ended January 31, 2016 and 2015, the Company acquired certain assets from franchisees, ADs and third parties as follows:		
Fair value of assets purchased	$15,087	$16,531
Receivables applied, net of amounts due ADs and related deferred revenue	(9,391)	(5,472)
Bargain purchase gains	(451)	(275)
Notes and accounts payable issued	(1,532)	(2,566)
Cash paid to franchisees and ADs	$3,713	$8,218
During the nine months ended January 31, 2016 and 2015, the Company sold certain assets to franchisees and ADs as follows:		
Book value of assets sold	$8,505	$9,868
Gain on sale-revenue deferred	1,688	2,000
Loss on sale - loss recognized	(156)	(125)
Notes received	(7,186)	(8,053)
Cash received from franchisees and ADs	$2,851	$3,690

See accompanying notes to condensed consolidated financial statements.

LIBERTY TAX, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

January 31, 2016 and 2015 (Unaudited)

(1) Organization and Significant Accounting Policies

Description of Business

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

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

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

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

Basis of Presentation

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

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

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

Office Count

The following table shows the U. S. office activity and the number of Canadian and Company-owned offices for the 2016, 2015 and 2014 tax seasons:

	Tax Season 2016	2015	2014
U.S. Office Locations:			
Permanent Office Locations:			
Operated during the prior tax season	3,764	3,663	3,816
Offices opened	453	397	289
Offices closed	(257)	(296)	(442)
Operated during the current tax season	3,960	3,764	3,663
Seasonal Office Locations:			
Operated during the prior tax season	262	486	427
Offices opened	127	118	334
Offices closed	(178)	(342)	(275)
Operated during the current tax season	211	262	486
Processing Centers	54	43	26
Total U.S. Office locations	4,225	4,069	4,175
Canada office locations	262	259	263
Total office locations	4,487	4,328	4,438
Additional office information:			
Company-owned offices	310	182	216
Franchised offices	4,177	4,146	4,222
Total office locations	4,487	4,328	4,438

SiempreTax+ is operating 144 offices during the 2016 tax season compared to 57 during the 2015 season. These offices consist of second offices opened by current franchisees in territories they already owned, conversions of existing Liberty Tax offices and offices opened in new territories.

Territory Sales

During the first nine months of fiscal 2016, we sold approximately 180 new territories, compared to approximately 160 during the same period in fiscal 2015 and 132 in 2014. New territories include territories sold to new franchisees and additional territories sold to existing franchisees.

Use of Estimates

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

Accounting Pronouncements

In September 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-16, "Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments." ASU 2015-16 eliminates the requirement for an acquirer to retrospectively adjust provisional amounts recorded in a business combination to reflect new information about the facts and circumstances that existed as of the acquisition date and that, if known, would have affected measurement or recognition of amounts initially recognized. As an alternative, the amendment requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The amendments require that the acquirer record, in the financial statements of the period in which adjustments to provisional amounts are determined, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. ASU 2015-16 is effective prospectively for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years, which means that it will be effective for us in the first quarter of our fiscal year beginning May 1, 2016. Early adoption is permitted. The Company is currently evaluating the impact of our pending adoption of ASU 2015-16 on our consolidated financial statements.

In May 2014 the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)," and in August 2015 the FASB issued ASU 2015-14, "Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date," which defers the effective date of ASU 2014-09 by one year. ASU 2014-09 supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, it is possible that more judgment and estimates may be required within the revenue recognition process than are required under present U.S. GAAP. These may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price, and allocating the transaction price to each separate performance obligation. The new standard also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments. ASU 2014-09 is effective for reporting periods beginning after December 15, 2017, which means that it will be effective for us in the first quarter of our fiscal year beginning May 1, 2018. Early adoption of one year prior to the required effective date is permitted. ASU 2014-09 allows adoption using either of two methods: (i) retrospective to each prior reporting period presented, with the option to elect certain practical expedients; or (ii) retrospective with the cumulative effect of initially applying ASU 2014-09 recognized at the date of initial application and providing certain additional disclosures. The Company is currently evaluating the impact of our pending adoption of ASU 2014-09 on our consolidated financial statements.

In November 2015 the FASB issued ASU 2015-17, "Balance Sheet Classification of Deferred Taxes (Topic 740)," which requires entities with a classified balance sheet to present all deferred tax assets and liabilities as non-current. This ASU is effective for interim and annual periods in fiscal years beginning after December 15, 2016, which means that it will be effective for us in the first quarter of our fiscal year beginning May 1, 2017. The Company is currently evaluating the impact of our pending adoption of ASU 2015-17 on our consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, “Leases," which requires recognition of lease assets and lease liabilities on the balance sheet of lessees. ASU 2016-02 is effective for fiscal years and interim reporting periods within those years beginning after December 15, 2018, which for us is the first quarter of our fiscal year beginning May 1, 2019. Early adoption is permitted. ASU 2016-02 requires a modified retrospective transition approach and provides certain optional transition relief. The Company is currently evaluating the effect the adoption of this guidance will have on its consolidated results of operations, financial position and cash flows.

Foreign Operations

Canadian operations contributed $0.3 million and $0.2 million in revenues for the three months ended January 31, 2016 and 2015, respectively and $1.6 million and $1.4 million in revenues for the nine months ended January 31, 2016 and 2015, respectively.

(2) Accounts and Notes Receivable

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

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

	January 31, 2016	April 30, 2015	January 31, 2015
	(In thousands)		
Notes receivable - current	$90,858	$24,465	$76,233
Notes receivable - non-current	34,374	22,416	29,389
Interest	5,156	1,033	3,989
Total notes and interest receivable	$130,388	$47,914	$109,611

Most of the notes receivable are due from the Company's franchisees and ADs and are collateralized by the underlying franchise or AD and, when the franchise or AD is an entity, are guaranteed by the owners of the respective entity. The debtors' ability to repay the notes is dependent upon both the performance of the tax preparation industry as a whole and the individual franchise or AD areas.
Accounts and notes receivable include royalties billed that relate to territories operated by franchisees located in AD territories and a portion of those accounts and notes receivable are payable to the AD. The Company has recorded amounts payable to ADs for their share of these receivables of $16.3 million, $24.3 million, and $15.0 million at January 31, 2016, April 30, 2015 and January 31, 2015, respectively.
Unrecognized revenue relates to the financed portion of franchise fees and AD fees and, in the case of sales of Company-owned offices, the financed portion of gains related to these sales in each case where revenue has not yet been recognized. For franchise fees and gains related to the sale of Company-owned offices, revenue is recognized as note payments are received by the Company. Payments received on AD fee notes receivable generate a corresponding increase in deferred revenue, which is amortized into revenue over the life of the AD contract, historically ten years. The Company recently changed the term of new and renewal AD contracts to six years from ten years and the revenue for new AD contracts will be recognized over that shorter period, subject to the receipt of cash. Unrecognized revenue was $40.7 million, $38.6 million and $42.0 million at January 31, 2016, April 30, 2015 and January 31, 2015, respectively.
At January 31, 2016, the Company had unfunded lending commitments for working capital loans to franchisees and ADs of $10.2 million.

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

Activity in the allowance for doubtful accounts for the three and nine months ended January 31, 2016 and 2015 was as follows:

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	Three Months Ended January 31,		Nine Months Ended January 31,	
	2016	2015	2016	2015
	(In thousands)			
Balance at beginning of period	$8,075	$7,145	$7,355	$6,850
Provision for doubtful accounts	1,192	1,245	4,589	4,453
Write-offs	(1,883)	(1,131)	(4,461)	(4,024)
Foreign currency adjustment	(53)	(160)	(152)	(180)
Balance at end of period	$7,331	$7,099	$7,331	$7,099

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

The allowance for doubtful accounts at January 31, 2016, April 30, 2015 and January 31, 2015, was allocated as follows:

	January 31, 2016	April 30, 2015	January 31, 2015
	(In thousands)		
Impaired:			
Notes and interest receivable, net of unrecognized revenue	$6,466	$10,921	$6,128
Accounts receivable	4,274	7,634	3,478
Less amounts due to ADs and franchisees	(727)	(1,535)	(416)
Amounts receivable less amounts due to ADs and franchisees	$10,013	$17,020	$9,190
Allowance for doubtful accounts for impaired notes and accounts receivable	$3,693	$6,594	$4,709
Non-impaired:			
Notes and interest receivable, net of unrecognized revenue	$123,922	$36,993	$103,483
Accounts receivable	55,591	38,487	46,542
Less amounts due to ADs and franchisees	(16,170)	(25,150)	(15,186)
Amounts receivable less amounts due to ADs and franchisees	$163,343	$50,330	$134,839
Allowance for doubtful accounts for non-impaired notes and accounts receivable	$3,638	$761	$2,390
Total:			
Notes and interest receivable, net of unrecognized revenue	$130,388	$47,914	$109,611
Accounts receivable	59,865	46,121	50,020
Less amounts due to ADs and franchisees	(16,897)	(26,685)	(15,602)
Amounts receivable less amounts due to ADs and franchisees	$173,356	$67,350	$144,029
Total allowance for doubtful accounts	$7,331	$7,355	$7,099

The Company’s average investment in impaired notes receivable during the nine months ended January 31, 2016 and 2015 was $8.7 million and $7.3 million, respectively.

Analysis of Past Due Receivables

The breakdown of accounts and notes receivable past due at January 31, 2016 was as follows:

	Past due	Current	Total receivables
	(In thousands)		
Accounts receivable	$26,359	$33,506	$59,865
Notes and interest receivable, net of unrecognized revenue	5,988	124,400	130,388
Total accounts, notes and interest receivable	$32,347	$157,906	$190,253

Accounts receivable are considered to be past due if unpaid 30 days after billing and notes receivable are considered past due if unpaid 90 days after the due date, at which time the notes are put on nonaccrual status. The Company’s investment in notes receivable on nonaccrual status was $6.0 million, $9.3 million, and $6.7 million at January 31, 2016, April 30, 2015, and January 31, 2015, respectively. Payments received on notes in non-accrual status are applied to interest income first until the note is current and then to the principal note balance. Accounts receivables unpaid as of April 30 each year often remain

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

(3) Investments

During the third quarter of fiscal 2016, the Company purchased a corporate equity security for $5.0 million, which was classified as available-for-sale and reported in other non-current assets. The Company recorded an unrealized loss at January 31, 2016, of $0.3 million, net of taxes, which was reported in the Company's Consolidated Statement of Comprehensive Loss.

(4) Goodwill and Intangible Assets

Changes in the carrying amount of goodwill for the nine months ended January 31, 2016 and 2015 were as follows:

	January 31, 2016 (In thousands)	January 31, 2015
Balance at beginning of period	$3,377	$2,978
Acquisitions of assets from franchisees	975	330
Disposals and foreign currency changes, net	(283)	(123)
Impairments	—	—
Balance at end of period	$4,069	$3,185

Components of intangible assets were as follows as of January 31, 2016, April 30, 2015 and January 31, 2015:

	January 31, 2016 Weighted average amortization period (In thousands)	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortizable intangible assets:				
Customer lists acquired from unrelated third parties	4 years	$1,027	$ (254)	$773
Assets acquired from franchisees:				
Customer lists	4 years	1,394	(634)	760
Reacquired rights	2 years	441	(407)	34
AD rights	10 years	16,694	(5,044)	11,650
Total intangible assets		$19,556	$ (6,339)	$13,217

	April 30, 2015 Weighted average amortization period (In thousands)	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortizable intangible assets:				
Customer lists acquired from unrelated third parties	4 years	$1,027	$ —	$1,027
Assets acquired from franchisees:				
Customer lists	4 years	759	(441)	318
Reacquired rights	2 years	559	(473)	86

AD rights	10 years	17,345	(4,104)	13,241
Total intangible assets		$19,690	$ (5,018)	$14,672

	January 31, 2015 Weighted average amortization period (In thousands)	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortizable intangible assets:				
Customer lists acquired from unrelated third parties	6 years	$4,816	$ (2,038)	$2,778
Assets acquired from franchisees:				
Customer lists	4 years	968	(450)	518
Reacquired rights	2 years	785	(397)	388
AD rights	10 years	17,345	(3,671)	13,674
Total intangible assets		$23,914	$ (6,556)	$17,358

During the nine months ended January 31, 2016, the Company acquired the assets of U.S. and Canadian franchisees and third parties for $2.2 million. During the nine months ended January 31, 2015, the Company acquired the assets of U.S. and Canadian franchisees for $1.5 million. These acquisitions were accounted for as business combinations. The allocation of the purchase price of assets acquired from franchisees and third parties to intangible assets during the nine months ended January 31, 2016 and 2015 was as follows:

	Nine Months Ended January 31,	
	2016	2015
	(In thousands)	
Customer lists and reacquired rights	$822	$1,169
Accounts receivable	320	—
Property, equipment, and software	40	—
Goodwill	975	330
Total	$2,157	$1,499

(5) Assets Held For Sale

At the end of the third quarter of fiscal 2016 and 2015, assets acquired from U.S. franchisees were classified as assets held for sale. During the nine months ended January 31, 2016, the Company acquired $11.5 million in assets from U.S. franchisees and third parties that were first accounted for as business combinations, with the value allocated to customer lists and reacquired rights of $5.2 million and goodwill of $6.3 million prior to being recorded as assets held for sale. During the nine months ended January 31, 2015, the Company acquired $6.7 million in assets from U.S. franchisees and third parties that were first accounted for as business combinations, with the value allocated to customer lists and reacquired rights of $3.2 million and goodwill of $3.5 million prior to being recorded as assets held for sale. The acquired businesses are operated as Company-owned offices until a buyer is located and a new franchise agreement is entered into.

Changes in the carrying amount of assets held for sale for the nine months ended January 31, 2016 and 2015 were as follows:

	Nine Months Ended January 31,	
	2016	2015
	(In thousands)	
Balance at beginning of period	$5,160	$4,413
Reacquired, acquired from third parties, and other	11,820	6,656

Dispositions	(5,816)	(5,456)
Balance at end of period	$11,164	$5,613

(6) Debt

The Company has an amended credit facility that consists of a $21.2 million term loan and a revolving credit facility that currently allows borrowing of up to $203.8 million with an accordion feature that permits the Company to request an increase in availability of up to an additional $50.0 million. Outstanding borrowings accrue interest which is paid monthly at a rate of the one-month London Interbank Offered Rate ("LIBOR") plus a margin ranging from 1.50% to 2.25% depending on the Company's leverage ratio. At January 31, 2016 and 2015, the interest rate was 2.05% and 1.79%, respectively and the average interest rate paid during the nine months ended January 31, 2016 and 2015 was 1.84% and 1.78%, respectively. The indebtedness is collateralized by substantially all the assets of the Company and both loans mature on April 30, 2019 (except as to the commitments of one lender that has a small balance under the revolving credit facility, which mature on September 30, 2017). The credit facility contains certain financial covenants that the Company must meet, including leverage and fixed-charge coverage ratios as well as minimum net worth requirements. In addition, the Company must reduce the outstanding balance under its revolving loan to zero for a period of at least 45 consecutive days each fiscal year. The Company was in compliance with the financial covenants at January 31, 2016.

Debt at January 31, 2016, April 30, 2015, and January 31, 2015 consisted of the following:

	January 31, 2016	April 30, 2015	January 31, 2015
	(In thousands)		
Credit Facility:			
Revolver	$150,682	$—	$110,762
Term loan	19,789	20,453	20,984
	170,471	20,453	131,746
Amounts due to former ADs and mortgages	3,963	4,944	4,901
	174,434	25,397	136,647
Less: current portion	(5,220)	(3,934)	(4,107)
Long-term debt	$169,214	$21,463	$132,540

(7) Forward Contracts Related to Foreign Currency Exchange Rates

In connection with short-term advances made to its Canadian subsidiary related to personal income tax refund discounting, the Company periodically enters into forward contracts to eliminate the exposure related to foreign currency fluctuations. Under the terms of the forward currency contracts, the exchange rate for repayments is fixed at the time an advance is made and the advances are repaid prior to April 30 of the fiscal year of the advance. These forward contracts are designated as cash flow hedges. At January 31, 2016, the fair value of foreign currency contracts included in other liabilities was $23 thousand and at January 31, 2015, the fair value of foreign currency contracts included in other assets was $271 thousand. The Company had no outstanding forward contracts at April 30, 2015.

(8) Income Taxes

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

(9) Stockholders’ Equity

Stockholders' Equity Activity

During the nine months ended January 31, 2016 and 2015, activity in stockholders’ equity was as follows:

	Nine Months Ended January 31,	
	2016	2015
	(in thousands, except for share amounts)	
Class A common shares issued from the exercise of stock options	132,510	629,633
Class A common shares issued from the vesting of restricted stock and as Board of Directors compensation	14,293	17,495
Proceeds from exercise of stock options	$1,998	$10,053
Stock-based compensation expense	$1,348	$2,002
Class A common shares repurchased	82,355	1,270,661
Payments for repurchased shares	$1,977	$35,910
Tax benefit of stock option exercises	$933	$4,776
Dividends declared	$6,629	$—

Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss at January 31, 2016, April 30, 2015 and January 31, 2015 were as follows.

	January 31, 2016	April 30, 2015	January 31, 2015
	(In thousands)		
Foreign currency adjustment	$(2,060)	$(697)	$(1,442)
Unrealized loss on available-for-sale securities, net of taxes of $208, $-, and $-, respectively	(347)	—	—
Forward contracts related to foreign currency exchange rates	(23)	—	271
Total accumulated other comprehensive loss	$(2,430)	$(697)	$(1,171)

Net Income (Loss) per Share

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

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

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

The computation of basic and diluted net income (loss) per share for the three and nine months ended January 31, 2016 and 2015 is as follows:

	Three Months Ended January 31, 2016		Three Months Ended January 31, 2015	
	Class A Common Stock	Class B Common Stock	Class A Common Stock	Class B Common Stock
	(in thousands, except for share and per share amounts)		(in thousands, except for share and per share amounts)	
Basic net income per share:				
Numerator				
Allocation of undistributed income	$ 4,405	$ 333	$ 1,783	$ 136
Amounts allocated to participating securities:				
Exchangeable shares	(319)	(24)	(130)	(10)
Net income attributable to common stockholders	$ 4,086	$ 309	$ 1,653	$ 126
Denominator				
Weighted-average common shares outstanding	11,895,367	900,000	11,779,286	900,000
Basic net income per share	$ 0.34	$ 0.34	$ 0.14	$ 0.14
Diluted net income per share:				
Numerator				
Allocation of undistributed earnings for basic computation	$ 4,086	$ 309	$ 1,653	$ 126
Reallocation of undistributed earnings as a result of assumed conversion of:				
Class B common stock to Class A common stock	309	—	126	—
Exchangeable shares to Class A common stock	343	—	140	—
	$ 4,738	$ 309	$ 1,919	$ 126
Denominator				
Number of shares used in basic computation	11,895,367	900,000	11,779,286	900,000
Weighted-average effect of dilutive securities				
Class B common stock to Class A common stock	900,000	—	900,000	—
Exchangeable shares to Class A common stock	1,000,000	—	1,000,000	—
Employee stock options	206,989	13,504	547,877	36,046
	14,002,356	913,504	14,227,163	936,046
Diluted net income per share	$ 0.34	$ 0.34	$ 0.13	$ 0.13

Diluted net income per share above excludes the impact of shares of potential common stock from the exercise of options to purchase 492,611 and 140,416 shares for the three months ended January 31, 2016 and 2015, respectively, because the effect would be anti-dilutive. These options are excluded because their exercise price exceeds the average market price of the Company's stock for each respective period.

	Nine Months Ended January 31, 2016		Nine Months Ended January 31, 2015	
	Class A Common Stock	Class B Common Stock	Class A Common Stock	Class B Common Stock
	(in thousands, except for share and per share amounts)		(in thousands, except for share and per share amounts)	
Basic and diluted net loss per share:				
Numerator				
Allocation of undistributed losses	$ (11,965)	$ (905)	$ (16,778)	$ (1,275)
Denominator				
Weighted-average common shares outstanding	11,894,185	900,000	11,842,288	900,000
Basic and diluted net loss per share	$ (1.01)	$ (1.01)	$ (1.42)	$ (1.42)

Diluted net loss per share above excludes the impact of shares of potential common stock from the exercise of options to purchase 1,073,332 and 1,160,106 shares for the nine months ended January 31, 2016 and 2015, respectively, because the effect would be anti-dilutive. These options are excluded because the Company has a net loss for each respective periods.

(10) Stock Compensation Plans

Stock Options

The Company has an equity and cash incentive plan, for the issuance of up to 2,500,000 shares of Class A common stock in which employees and outside directors are eligible to receive awards. At January 31, 2016, 1,380,602 shares of Class A common stock remain available for grant. There were 200,387 options granted during the nine months ended January 31, 2016.

Stock option activity during the nine months ended January 31, 2016 was as follows:

	Number of options	Weighted average exercise price
Balance at beginning of period	1,343,559	$19.28
Granted	200,387	22.95
Exercised	(132,510)	15.09
Expired or forfeited	(150,490)	24.39
Balance at end of period	1,260,946	19.70

Intrinsic value is defined as the market value of the stock less the cost to exercise. The total intrinsic value of options exercised during the nine months ended January 31, 2016 was $0.7 million. The total intrinsic value of stock options outstanding at January 31, 2016 was $4.4 million. Stock options vest from six months to five years from the date of grant and expire from four to five years after the vesting date.

Nonvested stock options activity during the nine months ended January 31, 2016 was as follows:

	Nonvested options	Weighted average exercise price
Balance at beginning of period	385,416	$27.56
Granted	200,387	22.95
Vested	(53,750)	33.57
Forfeited	(50,000)	33.79

Balance at end of period	482,053	24.33

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At January 31, 2016, unrecognized compensation costs related to nonvested stock options were $2.4 million. These costs are expected to be recognized through fiscal 2021.

The following table summarizes information about stock options outstanding and exercisable at January 31, 2016:

	Options Outstanding			Options Exercisable	
Range of exercise prices	Number of shares outstanding	Weighted average exercise price	Weighted average remaining contractual life (in years)	Number of options exercisable	Weighted average exercise price
$10.50	9,650	$10.50	0.2	9,650	$10.50
15.00	515,617	15.00	1.8	515,617	15.00
16.38 - 19.75	264,876	17.94	3.9	189,876	17.89
22.18 - 29.48	405,387	24.83	5.9	35,000	26.18
33.38 - 33.79	65,416	33.38	5.8	28,750	33.38
	1,260,946	19.70		778,893	16.83

Restricted Stock Units

Restricted stock activity during the nine months ended January 31, 2016 was as follows:

	Number of Restricted stock units	Weighted average fair value at grant date
Balance at beginning of period	28,929	$30.63
Granted	32,056	23.06
Vested	(13,394)	27.99
Forfeited	(3,798)	28.46
Balance at end of period	43,793	26.09

At January 31, 2016, unrecognized compensation costs related to restricted stock units were $0.7 million. These costs are expected to be recognized through fiscal 2019.

(11) Fair Value of Financial Instruments

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

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

The Company measures or monitors certain of its assets and liabilities on a fair value basis. Fair value is used on a recurring basis for those assets and liabilities for which fair value is the primary basis of accounting. Other assets and liabilities are measured at fair value on a nonrecurring basis; that is, they are subject to fair value adjustments in certain circumstances, such as when there is evidence of impairment. The following tables present, at January 31, 2016, April 30, 2015 and January 31, 2015, for each of the fair value hierarchy levels, the assets and liabilities that are measured at fair value on a recurring and nonrecurring basis (in thousands):

	January 31, 2016			
		Fair value measurements using		
	Total	Level 1	Level 2	Level 3
Assets:				
Recurring:				
Available-for-sale equity security	$4,444	$4,444	$—	$—
Forward contract related to foreign currency exchange rates	23	—	23	—
Nonrecurring:				
Impaired accounts and notes receivable	8,525	—	—	8,525
Total recurring and nonrecurring assets	$12,992	$4,444	$23	$8,525

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

	January 31, 2015			
		Fair value measurements using		
	Total	Level 1	Level 2	Level 3
Assets:				
Recurring:				
Forward contracts related to foreign currency exchange rates	$271	$—	$271	$—
Nonrecurring:				
Impaired accounts and notes receivable	4,897	—	—	4,897
Total recurring and nonrecurring assets	$5,168	$—	$271	$4,897

The Company’s policy is to recognize transfers between levels of the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There were no transfers into or out of level 1 or 2 requiring fair value measurements for each of the nine months ended January 31, 2016 and 2015.

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

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

Available-for-sale securities: Available-for-sale securities are carried at their aggregate fair value. Fair values for available-for-sale securities are based on published market prices.

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

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

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

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

Other Fair Value Measurements

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

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

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

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

(12) Related Party Transactions

The Company considers directors and their affiliated companies as well as executive officers and members of their immediate family to be related parties. Although the Company did not have any stock transactions with related parties during the nine months ended January 31, 2016, during the nine months ended January 31, 2015 the Company repurchased 993,852 shares of stock for a value of $26.6 million from related parties.

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

The Company has entered into an agreement to purchase the right to distribute cloud and mobile accounting solutions to its franchisees. Payments were made for this service of $250 thousand during fiscal 2015 and $14 thousand during the nine months ended January 31, 2016. One of the members of the Company's Board of Directors is affiliated with the company providing this service.

(13) Commitments and Contingencies

In the ordinary course of operations, the Company may become a party to legal proceedings. Based upon information currently available, management believes that such legal proceedings, in the aggregate, will not have a material adverse effect on the Company's business, financial condition, cash flows, or results of operations except as provided below.
ERC class action litigation. The Company was sued in November 2011 in federal courts in Arkansas, California, Florida, and Illinois, and additional lawsuits were filed in federal courts in January 2012 in Maryland and North Carolina, in February 2012 in Wisconsin, and in May 2012 in New York and Minnesota. In April 2012, a motion to consolidate all of the then-pending cases before a single judge in federal court in the Northern District of Illinois was granted, and in June 2012, the plaintiffs filed a new complaint in the consolidated action. The consolidated complaint alleges that the Company's refund transfer products formerly called electronic refund checks ("ERC") represent a form of refund anticipation loan ("RAL") because the taxpayer is "loaned" the tax preparation fee, and that the refund transfer product is, therefore, subject to federal truth-in-lending disclosure and state law requirements regulating RALs. The plaintiffs also allege disclosure violations related to the ERC fees paid by RAL customers. The plaintiffs, therefore, claim violations of state-specific RAL and other consumer statutes. The lawsuit purports to be a class action, and the plaintiffs allege potential damages in excess of $5.0 million. The Company appealed to the United States Court of Appeals for the Seventh Circuit a ruling that certain of the plaintiffs' claims were not subject to arbitration. Following mediation, the parties entered into a settlement agreement in June 2015 pursuant to which the Company has funded the establishment of a settlement fund of $5.3 million, inclusive of settlement administration costs and plaintiffs' counsel fees. The claims process is complete and the trial court approved the final settlement agreement on January 7, 2016, with final judgment being entered on January 8, 2016. The Company has preserved potential claims against a financial product partner that was responsible for the design of a portion of the ERC programs in the years at issue in the cases. The Company accrued the proposed settlement amount during fiscal 2015.
TCPA class action litigation. The Company was sued in September 2013 in federal court in Illinois in connection with alleged violations of the Telephone Consumer Protection Act. Plaintiff alleges that the Company inappropriately made auto dialed telephone calls to cellular telephones, seeks the certification of a nationwide class action, and claims statutory damages of $500-$1,500 per violation. The Company tendered the defense of this litigation to a third party entity that had contracted with the Company to solicit potential franchisees, and that third party entity acknowledged its defense and indemnification obligations to the Company. However, because the third party did not have the financial resources to satisfy its defense and indemnity obligations, the Company concluded that it could not rely upon the fulfillment of those obligations. In September 2014, the Company and the plaintiffs reached a tentative settlement of this litigation pursuant to which the Company has funded the establishment of a settlement fund of $3.0 million, inclusive of settlement administration costs and plaintiffs' counsel fees. This settlement received the preliminary approval of the court and notices to class members have been sent, but the settlement remains subject to final court approval. The Company accrued the proposed settlement amount during fiscal 2015.
The Company is also party to claims and lawsuits that are considered to be ordinary, routine litigation incidental to the business, including claims and lawsuits concerning the preparation of customers' income tax returns, the fees charged to customers for various products and services, relationships with franchisees, intellectual property disputes, employment matters, and contract disputes. Although the Company cannot provide assurance that it will ultimately prevail in each instance, it believes the amount, if any, it will be required to pay in the discharge of liabilities or settlements in these claims will not have a material adverse impact on its consolidated results of operations or financial position.

(14) Subsequent Event

On March 4, 2016, the Board of Directors approved a quarterly cash dividend to shareholders of $0.16 per share payable on April 22, 2016 to holders of record of common stock and common stock equivalents on April 12, 2016.

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

Special Note Regarding Forward-Looking Statements

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

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

- the ability of our franchisees to open new territories and operate them successfully;
- the ability of our franchisees to generate sufficient revenue to repay their indebtedness to us;
- our ability to manage Company-owned offices;
- our exposure to litigation;

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

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

Overview

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

From 2001 through 2016, we grew our number of tax offices from 508 to 4,487. See Note 1 "Description of Business and Summary of Significant Accounting Policies" in the notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended April 30, 2015 for detail of the U.S. office activity and the number of Canadian and Company-owned offices for the years ended April 30, 2015, 2014, and 2013.

Our revenue primarily consists of the following components:

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

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

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

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

Results of Operations

The table below shows results of operations for the three and nine months ended January 31, 2016 and 2015.

	Three Months Ended January 31,				Nine Months Ended January 31,			
			Change				Change	
	2016	2015	$	%	2016	2015	$	%
(dollars in thousands)								
Total revenue	$53,621	$47,680	$5,941	12 %	$69,015	$63,253	$5,762	9 %
Income (loss) from operations	8,968	4,294	4,674	109 %	(18,956)	(27,945)	8,989	(32)%
Net Income (loss)	4,738	1,919	2,819	147 %	(12,870)	(18,053)	5,183	(29)%

Revenue. The table below sets forth the components and changes in our revenue for the three and nine months ended January 31, 2016 and 2015.

	Three Months Ended January 31,				Nine Months Ended January 31,			
			Change				Change	
	2016	2015	$	%	2016	2015	$	%
(dollars in thousands)								
Franchise fees	$1,011	$968	$43	4 %	$2,526	$2,996	$(470)	(16)%
AD fees	1,363	1,592	(229)	(14)%	4,491	5,066	(575)	(11)%
Royalties and advertising fees	25,571	25,457	114	— %	28,589	28,350	239	1 %
Financial products	17,266	13,370	3,896	29 %	17,781	14,027	3,754	27 %
Interest income	3,188	3,222	(34)	(1)%	7,503	7,200	303	4 %
Tax preparation fees, net of discounts	3,843	1,942	1,901	98 %	4,805	2,848	1,957	69 %
Other revenue	1,379	1,129	250	22 %	3,320	2,766	554	20 %
Total revenue	$53,621	$47,680	$5,941	12 %	$69,015	$63,253	$5,762	9 %

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For the three months ended January 31, 2016, total revenue was $53.6 million compared to $47.7 million for the same period last year, or an increase of $5.9 million. The increase was mostly due to a $3.9 million increase in financial products due to fees charged for our new refund-based advance loan product and an increase in the average fee charged for our refund transfer product. In addition our tax preparation fees increased $1.9 million due to the increase in the number of Company-owned offices operated in fiscal 2016.

For the nine months ended January 31, 2016, total revenue increased to $69.0 million compared to $63.3 million for the same period last year, or an increase of $5.8 million. This increase was driven primarily by an increase of $3.8 million in financial products due fees charged for our new refund-based advance loan product and an increase in the average fee charged for our refund transfer product. Tax preparation fees also increased $2.0 million due to the increase in the number of Company-owned offices operated in fiscal 2016. These increases were partially offset by a decrease of $0.6 million in AD fees due to the completion of the ten year recognition of AD sales from 2005.

Franchise fee revenue is recognized as cash is received, which is subject to volatility due to the timing of receipts. Cash received in a period includes payments for sales made in prior periods that were financed with notes receivable. Although we sold more territories in the three months ended January 31, 2016 than in the three months ended January 31, 2015 and more territories in the nine months ended January 31, 2016 than in the comparable period for fiscal 2015, franchise fee revenue was flat for the three months ended January 31, 2016 compared to same period last year and declined $0.5 million for the nine months ended January 31, 2016 compared to the same period last year, due to receiving fewer note payments in fiscal 2016 than in fiscal 2015.

Operating expenses. The table below details the amounts and changes in our operating expenses for the three and nine months ended January 31, 2016 and 2015.

	Three Months Ended January 31,				Nine Months Ended January 31,			
			Change				Change	
	2016	2015	$	%	2016	2015	$	%
	(dollars in thousands)							
Employee compensation and benefits	$11,638	$10,686	$952	9 %	$28,454	$28,736	$(282)	(1)%
Selling, general, and administrative expenses	12,585	12,834	(249)	(2)%	29,097	30,809	(1,712)	(6)%
AD expense	9,340	9,178	162	2 %	10,722	10,776	(54)	(1)%
Advertising expense	8,972	8,161	811	10 %	14,072	14,022	50	— %
Depreciation, amortization, and impairment charges	2,118	2,527	(409)	(16)%	5,626	6,855	(1,229)	(18)%
Total operating expenses	$44,653	$43,386	$1,267	3 %	$87,971	$91,198	$(3,227)	(4)%

For the three months ended January 31, 2016, total operating expenses were $44.7 million, representing an increase of $1.3 million compared to the same period last year. We had an increase in employee compensation and benefits of $1.0 million due primarily to an increase in the number of Company-owned offices operated in fiscal 2016. We had an increase of $0.8 million in advertising costs caused by the allocation of a greater amount of advertising resources into the third quarter of fiscal 2016 as compared to fiscal 2015. These increases were partially offset by a decline of $0.4 million in depreciation, amortization, and impairment charges, which resulted primarily from the $8.4 million impairment of online software and acquired customer lists recorded in the fourth quarter of fiscal 2015.

For the nine months ended January 31, 2016, total operating expenses were $88.0 million, representing a decrease of $3.2 million compared to the same period last year. The decrease can be attributed to a $0.3 million decline in employee compensation and benefits, of which $1.2 million is attributable to a reduction in executive severance costs partially offset by an increase of $1.0 million due primarily to an increase in the number of Company-owned offices operated in fiscal 2016. Further, we had a decline in selling, general and administrative costs of $1.7 million, primarily related to the tentative settlement of our class action cases for $6.2 million in the prior year which did not recur in fiscal 2016, partially offset by an increase in costs to provide financial products of $2.4 million and an increase of $1.6 million in rent and other costs due primarily to an increase in the number of Company-owned offices operated in fiscal 2016. Depreciation, amortization and impairment charges decreased $1.2 million, which resulted primarily from the $8.4 million impairment of online software and acquired customer lists recorded in the fourth quarter of fiscal 2015.

Income tax benefit. We recorded income tax benefits with effective rates of 42.6% and 46.3% during the three month ended January 31, 2016 and 2015, respectively and 37.5% and 38.9% during the nine months ended January 31, 2016 and 2015, respectively. Favorable permanent differences and/or discrete tax items during the third quarter of both fiscal 2016 and 2015, combined with the seasonal nature of our business, resulted in our quarterly effective tax rate being significantly different than the effective tax rate for the year-to-date period.

Liquidity and Capital Resources

Overview of factors affecting our liquidity

Seasonality of cash flow. Our tax return preparation business is seasonal, and most of our revenues and cash flow are generated during the period from late January through April 30. Following each tax season, from May 1 through late January of the following year, we rely significantly on excess operating cash flow from the previous season, from cash payments made by franchisees and ADs who purchase new territories and areas prior to the next tax season, and on the use of our credit facility to fund our operating expenses and invest in the future growth of our business. Our business has historically generated a strong operating cash flow on an annual basis. We devote a significant portion of our resources during the off season to finance the working capital needs of our franchisees. We have also incurred significant expenditures in the development of our LibPro tax software and anticipate spending approximately $4.8 million related to this project during fiscal 2016.

Credit facility. In October 2014, the Company amended its credit facility. The amended credit facility consists of a $21.2 million term loan and a revolving credit facility that currently allows borrowing of up to $203.8 million with an accordion feature that permits the Company to request an increase in availability of up to an additional $50.0 million. Outstanding borrowings accrue interest, which is paid monthly, at a rate of the one-month London Interbank Offered Rate ("LIBOR") plus a margin ranging from 1.50% to 2.25% depending on the Company's leverage ratio. At January 31, 2016 the interest rate was 2.05%. A commitment fee that varies from 0.25% to 0.50% depending on the Company's leverage ratio on the unused portion of the credit facility is paid monthly. The indebtedness is collateralized by substantially all the assets of the Company and both loans mature on April 30, 2019 (except as to the commitments of one lender that has a small balance under the revolving credit facility, which mature on September 30, 2017).

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

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

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

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

We were in compliance with our financial covenants as of January 31, 2016.

Franchisee lending and potential exposure to credit loss. A substantial portion of our cash flow during the year is utilized to provide funding to our franchisees and ADs. At January 31, 2016, our total balance of loans to franchises and ADs for working capital and equipment loans, representing cash amounts we had advanced to the franchisees and ADs, was $81.3 million. In addition, at that date, our franchisees and ADs together owed us $105.9 million, net of unrecognized revenue of $40.7 million, for amounts representing the unpaid purchase price for franchise territories or areas comprising clusters of territories and other amounts owed to us for royalties and other amounts for which our franchisees and ADs had outstanding payment obligations.

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Our actual exposure to potential credit loss associated with franchisee loans is less than the aggregate amount of those loans because a significant portion of those loans are to franchisees located within AD areas, where our AD is ultimately entitled to a substantial portion of the franchise fee and royalty revenues represented by some of these loans. For this reason, the amount of indebtedness of franchisees to us is offset in part by our related payable obligation to ADs with respect to franchise fees and royalties. As of January 31, 2016, the total indebtedness of franchisees to the Company where the franchisee is located in an AD area was $121.6 million, of which $16.3 million of that indebtedness represents amounts ultimately payable to ADs as their share of franchise fees and royalties once cash is received.

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

The unpaid amounts owed to us from our franchisees and ADs are collateralized by the underlying franchise or area and, when the franchise or area owner is an entity, are generally guaranteed by the related owners of the respective entity. Accordingly, to the extent a franchisee or AD does not satisfy its payment obligations to us, we may repossess the underlying franchise or area in order to resell it in the future. At January 31, 2016, we had an investment in impaired accounts and notes receivable and related interest receivable of approximately $10.0 million. We consider accounts and notes receivable to be impaired if the amounts due exceed the fair value of the underlying franchise and estimate an allowance for doubtful accounts based on that excess. Amounts due include the recorded value of the accounts and notes receivable reduced by the allowance for uncollected interest, amounts due to ADs for their portion of franchisee receivables, any related unrecognized revenue and amounts owed to the franchisee or AD by us. In establishing the fair value of the underlying franchise, we consider net fees of open territories and the number of unopened territories. At January 31, 2016, we have recorded an allowance for doubtful accounts for impaired accounts and notes receivable of $3.7 million. There were no significant concentrations of credit risk with any individual franchisee or AD as of January 31, 2016. We believe our allowance for doubtful accounts as of January 31, 2016 is adequate for our existing loss exposure. We closely monitor the performance of our franchisees and ADs and will adjust our allowances as appropriate if we determine the existing allowances are inadequate to cover estimated losses.

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

Sources and uses of cash

Operating activities. In the first nine months of fiscal 2016, we used $14.1 million more cash in our operating activities compared to the same period of fiscal 2015. This increase is primarily due to

- The IRS paid refunds later in fiscal 2016 than in fiscal 2015, which resulted in a decline in the amount of payments received from our franchisees as a consequence of our inability to intercept tax preparation and other fees payable to our franchisees.

- The payment of $8.3 million in fiscal 2016 related to the class action litigation cases that had been accrued in fiscal 2015, that did not recur in 2016.
- Those amounts were offset by lower tax payments in fiscal 2016.

Investing activities. In the first nine months of fiscal 2016, we utilized $20.9 million more in cash for investing activities compared to the same period in fiscal 2015. This increase is primarily due to

- A $20.4 million increase in cash used for operating loans issued to franchisees net of payments received from franchisees, due primarily to the IRS having paid refunds later in fiscal 2016 than in fiscal 2015, which resulted in a decline in the amount of payments received for operating loans due us as a consequence of our inability to intercept tax preparation and other fees payable to our franchisees.
- A $5.0 million purchase of an available-for-sale corporate equity security.

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- These items were partially offset by a decrease in cash used for the purchase of AD rights and Company-owned offices.

Financing activities. In the first nine months of fiscal 2016, cash from financing activities increased $58.2 million compared to the same period of fiscal 2015, largely due to

- A $25.9 million decrease in cash used for common stock repurchases, net of proceeds from stock option exercises
- A $39.9 million increase in our net borrowings under our revolving facility. This increase was primarily due to the IRS having paid refunds later in fiscal 2016 than in fiscal 2015, which resulted in a decline in the amount of payments made on our revolving credit facility as a consequence of our inability to intercept tax preparation and other fees payable to our franchisees.
- These amounts were partially offset by dividend payments of $6.6 million in fiscal 2016 which were not in the fiscal 2015 period as well as $3.8 million less in tax benefit of stock option exercises.

Future cash needs and capital requirements

Operating cash flow needs. We believe our cash from operations and our current credit facility will be sufficient to support our cash flow needs for the foreseeable future. At January 31, 2016, using the leverage ratio applicable under our loan covenants at the end of the quarter, our maximum unused borrowing capacity was $27.4 million.

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

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

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

Effect of our credit facility covenants on our future performance. Our credit facility, which matures on April 30, 2019, imposes several restrictive covenants, including a covenant that requires us to maintain a leverage ratio of not more than 4.5:1 at the end of each fiscal quarter ending January 31 and a leverage ratio of not more than 3.0:1 at the end of each other fiscal quarter. The higher permitted leverage ratio at the end of the January 31 quarter reflects the fact that as of that date, we have typically extended significant credit to our franchisees for working capital and other needs that is not reflected in revenue that we receive from our franchisees until the period beginning in February each year. At January 31, 2016, our leverage ratio was 3.9:1.

We continue to be obligated under our credit facility to satisfy a fixed charge coverage ratio test which requires that ratio to be not less than 1.50:1 at the end of every fiscal quarter. At January 31, 2016, our fixed charge coverage ratio was 5.5:1.

We were in compliance with the ratio tests described in this section as of January 31, 2016. We expect to be able to manage our cash flow and our operating activities in such a manner that we will continue to be able to satisfy our obligations under the credit facility for the remainder of the term of that facility.

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

Non-GAAP Financial Information. We report our financial results in accordance with GAAP; however, we believe certain non-GAAP performance measures and ratios used in managing the business may provide additional meaningful comparisons between current year results and prior periods. Reconciliations to GAAP financial measures for the three and nine months ended January 31, 2016 and 2015 are provided below. These non-GAAP measures should be viewed in addition to, not as an alternative for, our reported GAAP results.

Three Months Ended January 31, 2016

	Revenues	Expenses	Income from Operations	EBITDA	Pre tax Income	Net Income	Diluted EPS
As Reported	$53,621	$44,653	$8,968	$11,072	$8,249	$4,738	0.34
Adjustments:							
Litigation settlements	—	—	—	—	—	—	—
Total adjustments	—	—	—	—	—	—	—
As Adjusted	$53,621	$44,653	$8,968	$11,072	$8,249	$4,738	$0.34
Stock-based compensation expense excluding severance related expense	$—	$(482)	$482	$482			

Three Months Ended January 31, 2015

	Revenues	Expenses	Income from Operations	EBITDA	Pretax Income	Net Income	Diluted EPS
As Reported	$47,680	$43,386	$4,294	$6,786	$3,576	$1,919	$0.13
Adjustments:							
Litigation settlements	—	(4,066)	4,066	4,066	4,066	2,182	0.16
Total adjustments	—	(4,066)	4,066	4,066	4,066	2,182	0.16
As Adjusted	$47,680	$39,320	$8,360	$10,852	$7,642	$4,101	$0.29
Stock-based compensation expense excluding severance related expense	$—	$(494)	$494	$494			

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Nine Months Ended January 31, 2016

	Revenues	Expenses	Loss from Operations	EBITDA	Pre tax Loss	Net Loss	Basic and Diluted EPS
As Reported	$69,015	$87,971	$(18,956)	$(13,369)	$(20,587)	$(12,870)	$(1.01)
Adjustments:							
Executive severance including stock-based compensation	—	(413)	413	413	413	258	0.02
Litigation settlements	—	—	—	—	—	—	—
Total adjustments	—	(413)	413	413	413	258	0.02
As Adjusted	$69,015	$87,558	$(18,543)	$(12,956)	$(20,174)	$(12,612)	$(0.99)
Stock-based compensation expense excluding severance related expense	$—	$(1,256)	$1,256	$1,256			

Nine Months Ended January 31, 2015

	Revenues	Expenses	Loss from Operations	EBITDA	Pretax Loss	Net Loss	Basic and Diluted EPS
As Reported	$63,253	$91,198	$(27,945)	$(21,135)	$(29,540)	$(18,053)	$(1.42)
Adjustments:							
Executive severance including stock-based compensation	—	(1,617)	1,617	1,617	1,617	988	0.08
Litigation Settlements	—	(6,196)	6,196	6,196	6,196	3,787	0.30
Total adjustments	—	(7,813)	7,813	7,813	7,813	4,775	0.38
As Adjusted	$63,253	$83,385	$(20,132)	$(13,322)	$(21,727)	$(13,278)	$(1.04)
Stock-based compensation expense excluding severance related expense	$—	$(1,408)	$1,408	$1,408			

Seasonality of Operations

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

Off Balance Sheet Arrangements

From time to time, we have been party to interest rate swap agreements. These swaps effectively changed the variable-rate of our credit facility into a fixed rate credit facility. Our most recent interest rate swap agreements expired in March 2013 and we were not a party to any interest rate swap agreement at January 31, 2016. We may enter into interest rate swap agreements in the future if we determine that it is appropriate to hedge our interest rate risk.

We also enter into forward contracts to eliminate exposure related to foreign currency fluctuations in connection with the short-term advances we make to our Canadian subsidiary in order to fund personal income tax refund discounting for our Canadian operations. At January 31, 2016, the fair value of forward contracts outstanding was $23 thousand, which was included in other liabilities.

ITEM 3
QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

ITEM 4
CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") as of January 31, 2016. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of January 31, 2016, our disclosure controls and procedures were effective in providing reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported by our management on a timely basis in order to comply with our disclosure obligations under the Exchange Act and the rules and regulations promulgated thereunder.

Changes in Internal Control over Financial Reporting

During our most recent fiscal quarter ended January 31, 2016, there has not occurred any change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II

ITEM 1
LEGAL PROCEEDINGS

In the ordinary course of operations, we may become a party to legal proceedings. Based upon information currently available, management believes that such legal proceedings, in the aggregate, will not have a material adverse effect on our business, financial condition, cash flows, or results of operations, except as provided below.
ERC class action litigation. We were sued in November 2011 in federal courts in Arkansas, California, Florida, and Illinois, and additional lawsuits were filed in federal courts in January 2012 in Maryland and North Carolina, in February 2012 in Wisconsin, and in May 2012 in New York and Minnesota. In April 2012, a motion to consolidate all of the then-pending cases before a single judge in federal court in the Northern District of Illinois was granted, and in June 2012, the plaintiffs filed a new complaint in the consolidated action. The consolidated complaint alleges that our refund transfer products formerly called electronic refund checks ("ERC") represent a form of refund anticipation loan ("RAL") because the taxpayer is "loaned" the tax preparation fee, and that the refund transfer product is, therefore, subject to federal truth-in-lending disclosure and state law requirements regulating RALs. The plaintiffs also allege disclosure violations related to the ERC fees paid by RAL customers. The plaintiffs, therefore, claim violations of state-specific RAL and other consumer statutes. The lawsuit purports to be a class action, and the plaintiffs allege potential damages in excess of $5.0 million. We appealed to the United States Court of Appeals for the Seventh Circuit a ruling that certain of the plaintiffs' claims were not subject to arbitration. Following mediation, the parties entered into a settlement agreement in June 2015 pursuant to which we funded the establishment of a settlement fund of $5.3 million, inclusive of settlement administration costs and plaintiffs' counsel fees. The claims process is complete and the trial court approved the final settlement agreement on January 7, 2016, with final judgment being entered on January 8, 2016. We have preserved potential claims against a financial product partner that was responsible for the design of a portion of our ERC programs in the years at issue in the cases. We accrued the proposed settlement amount during fiscal 2015.
TCPA class action litigation. We were sued in September 2013 in federal court in Illinois in connection with alleged violations of the Telephone Consumer Protection Act. Plaintiff alleges that we inappropriately made auto dialed telephone calls to cellular telephones, seeks the certification of a nationwide class action, and claims statutory damages of $500-$1,500 per violation. We tendered the defense of this litigation to a third party entity that had contracted with us to solicit potential franchisees, and that third party entity acknowledged its defense and indemnification obligations to us. However, because the third party did not have the financial resources to satisfy its defense and indemnity obligations, we concluded that we could not rely upon the fulfillment of those obligations. In September 2014, the Company and the plaintiffs reached a tentative settlement of this litigation pursuant to which we funded the establishment of a settlement fund of $3.0 million, inclusive of settlement administration costs and plaintiffs' counsel fees. This settlement received the preliminary approval of the court and notices to class members have been sent, but the settlement remains subject to final court approval. We accrued the proposed settlement amount during fiscal 2015.
We are also party to claims and lawsuits that are considered to be ordinary, routine litigation incidental to the business, including claims and lawsuits concerning the preparation of customers' income tax returns, the fees charged to customers for various products and services, relationships with franchisees, intellectual property disputes, employment matters, and contract disputes. Although we cannot provide assurance that we will ultimately prevail in each instance, we believe the amount, if any, we will be required to pay in the discharge of liabilities or settlements in these claims will not have a material adverse impact on our consolidated results of operations or financial position.

ITEM 1A
RISK FACTORS

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

ITEM 2
UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

There were no issuances of unregistered securities during the three months ended January 31, 2016.

PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

Our Board of Directors has approved $10 million of authorizations for share repurchases. These authorizations have no specific expiration date and cash proceeds from stock option exercises increase the amount of the authorizations. Shares repurchased from option exercises that are net-share settled by us and shares repurchased in privately negotiated transactions are not considered share repurchases under these authorizations. During the three months ended January 31, 2016, we repurchased shares as follows:

Period	Total number of shares purchased (1)	Average price paid per share	Total number of shares purchased as part of publicly announced plan (2)	Maximum value of shares that may be purchased under the plan as of month end (amounts in thousands) (3)
November 1 through November 30, 2015	—	—	—	$4,893
December 1 through December 31, 2015	11,720	22.72	11,720	4,782
January 1 through January 31,2016	—	—	—	6,263
Total	11,720		11,720	

(1) Total number of shares purchased during the period.
(2) Total number of shares in (1) that were purchased as part of a publicly announced plan.
(3) This amount is increased by amounts we receive from the exercise of certain stock options.

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ITEM 6
EXHIBITS

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

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference
31.1	Certification of Chief Executive Officer	X	
31.2	Certification of Chief Financial Officer	X	
32.1(1)	Section 1350 Certification (Chief Executive Officer)	X	
32.2(1)	Section 1350 Certification (Chief Financial Officer)	X	
101.INS(2)	XBRL Instance Document	X	
101.SCH(2)	XBRL Taxonomy Extension Schema	X	
101.CAL(2)	XBRL Taxonomy Extension Calculation Linkbase	X	
101.LAB(2)	XBRL Taxonomy Extension Label Linkbase	X	
101.PRE(2)	XBRL Taxonomy Extension Presentation Linkbase	X	
101.DEF(2)	XBRL Taxonomy Extension Definition Linkbase	X	

(1) This exhibit is furnished and shall not be deemed “filed” for purposes of the Securities Exchange Act of 1934, as amended.
(2) Pursuant to Rule 402 of Regulation S-T, these interactive data files are deemed not to be “filed” or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, or Section 18 of the Securities Act of 1934, as amended, and otherwise are not subject to liability under these sections.

SIGNATURES

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

Liberty Tax, Inc.
(Registrant)

March 8, 2016	By:	/s/ John T. Hewitt John T. Hewitt Chief Executive Officer and Chairman of the Board (Principal Executive Officer)
March 8, 2016	By:	/s/ Kathleen E. Donovan Kathleen E. Donovan Chief Financial Officer (Principal Financial Officer)

EXHIBIT INDEX

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