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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Jackson Hewitt Tax Service Inc.:

We have audited management's assessment, included in Item 9A Controls and Procedures—Management's Report on Internal Control Over Financial Reporting, that Jackson Hewitt Tax Service Inc. and subsidiaries (the "Company") maintained effective internal control over financial reporting as of April 30, 2007, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Pinero v. Jackson Hewitt Tax Service Inc. et al

In our opinion, management's assessment that the Company maintained effective internal control over financial reporting as of April 30, 2007, is fairly stated, in all material respects, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of April 30, 2007, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended April 30, 2007 of the Company and our report dated June 29, 2007 expressed an unqualified opinion on those financial statements and financial statement schedule.

/s/ DELOITTE & TOUCHE LLP
Parsippany, New Jersey
June 29, 2007

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JACKSON HEWITT TAX SERVICE INC.

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except per share amounts)

	As of April 30, 2007	2006
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,693	$ 15,150
Accounts receivable (net of allowance for doubtful accounts of $1,279 and $1,168, respectively)	17,519	20,184
Notes receivable, net	5,544	4,830
Prepaid expenses and other	11,421	8,755
Deferred income taxes	1,933	4,583
Total current assets	38,110	53,502
Property and equipment, net	35,194	35,808
Goodwill	393,208	392,700
Other intangible assets, net	84,793	86,085
Notes receivable, net	5,001	3,453
Other non-current assets, net	17,235	16,534
Total assets	$ 573,541	$588,082
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 31,452	$ 44,001
Income taxes payable	58,905	47,974
Deferred revenues	10,038	9,304
Total current liabilities	100,395	101,279
Long-term debt	127,000	50,000
Deferred income taxes	31,206	36,526
Other non-current liabilities	11,450	12,354
Total liabilities	270,051	200,159
Commitments and Contingencies (Note 18)		
Stockholders' equity:		
Common stock, par value $0.01; Authorized 200,000,000 shares; Issued: 38,069,726 and 37,843,898 shares, respectively	381	378
Additional paid-in capital	359,469	350,526
Retained earnings	146,962	97,413
Accumulated other comprehensive income	348	933
Less: Treasury stock, at cost: 6,953,545 and 2,538,197 shares, respectively	(203,670)	(61,327)
Total stockholders' equity	303,490	387,923
Total liabilities and stockholders' equity	$ 573,541	$588,082

See Notes to Consolidated Financial Statements.

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JACKSON HEWITT TAX SERVICE INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)

	Fiscal Year Ended April 30,		
	2007	2006	2005
Revenues			
Franchise operations revenues:			
Royalty	$ 83,060	$ 76,234	$ 59,360
Marketing and advertising	37,159	34,685	27,416
Financial product fees	80,011	74,458	35,990
Other financial product revenues	—	5,518	33,934
Other	12,776	12,986	12,766
Service revenues from company-owned office operations	80,190	71,529	63,021
Total revenues	293,196	275,410	232,487
Expenses			
Cost of franchise operations	33,435	31,179	27,426
Marketing and advertising	44,247	40,977	32,966
Cost of company-owned office operations	51,706	47,084	42,928
Selling, general and administrative	35,792	39,723	30,397
Depreciation and amortization	12,266	11,428	11,398
Total expenses	177,446	170,391	145,115
Income from operations	115,750	105,019	87,372
Other income/(expense):			
Interest income	1,856	1,924	1,484
Interest expense	(9,972)	(8,301)	(6,700)
Write-off of deferred financing costs	(108)	(2,677)	—
Other	—	520	—
Income before income taxes	107,526	96,485	82,156
Provision for income taxes	42,146	38,524	32,205
Net income	$ 65,380	$ 57,961	$ 49,951
Earnings per share:			
Basic	$ 1.97	$ 1.61	$ 1.33
Diluted	$ 1.93	$ 1.59	$ 1.32
Weighted average shares outstanding:			
Basic	33,262	36,061	37,615
Diluted	33,812	36,445	37,752
Dividends declared per share	$ 0.48	$ 0.32	$ 0.21

See Notes to Consolidated Financial Statements.

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JACKSON HEWITT TAX SERVICE INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock		Total Stockholders' Equity
	Shares	Amount				Shares	Amount	
Balance, April 30, 2004	37,500	$ 375	$ 475,844	$ 178,877	—	—	—	$ 655,096
Issuance of shares of common stock to employees upon exercise of stock options	33	—	419	—	—	—	—	419
Issuance of vested stock options to employees in exchange for their Cendant stock options	—	—	1,865	—	—	—	—	1,865
Issuance of shares of common stock to employees in exchange for their Cendant RSUs	101	1	1,743	—	—	—	—	1,744
Issuance of stock options to employees	—	—	1,389	—	—	—	—	1,389
Issuance of RSUs	—	—	455	—	—	—	—	455
Tax benefit from exercise of stock options	—	—	70	—	—	—	—	70
Special Dividend paid to Cendant (Note 9)	—	—	(131,613)	(175,239)	—	—	—	(306,852)
Dividends paid to stockholders	—	—	(5,266)	(2,634)	—	—	—	(7,900)
Dividends on RSUs	—	—	2	(2)	—	—	—	—
Net income	—	—	—	49,951	—	—	—	49,951
Balance, April 30, 2005	37,634	376	344,908	50,953	—	—	—	396,237
Issuance of shares of common stock to employees	210	2	3,187	—	—	—	—	3,189
Common stock repurchases	—	—	—	—	—	(2,538)	(61,327)	(61,327)
Issuance of stock options to employees	—	—	2,532	—	—	—	—	2,532
Issuance of RSUs	—	—	276	—	—	—	—	276
Tax benefit from exercise of stock options	—	—	2,305	—	—	—	—	2,305
Dividends paid to stockholders	—	—	—	(11,492)	—	—	—	(11,492)
Dividends on RSUs	—	—	9	(9)	—	—	—	—
Change in fair value of derivatives, net of tax of $622	—	—	—	—	933	—	—	933
Adjustment to Special Dividend—completion of final tax return (Note 15)	—	—	(2,691)	—	—	—	—	(2,691)
Net income	—	—	—	57,961	—	—	—	57,961
Balance, April 30, 2006	37,844	378	350,526	97,413	933	(2,538)	$ (61,327)	387,923
Issuance of shares of common stock to employees upon exercise of stock options	226	3	3,522	—	—	—	—	3,525
Common stock repurchases	—	—	—	—	—	(4,416)	(142,343)	(142,343)
Issuance of stock options to employees	—	—	3,834	—	—	—	—	3,834
Issuance of RSUs	—	—	288	—	—	—	—	288
Tax benefit from exercise of stock options	—	—	1,281	—	—	—	—	1,281
Dividends paid to stockholders	—	—	—	(15,813)	—	—	—	(15,813)
Dividends on RSUs	—	—	18	(18)	—	—	—	—
Change in fair value of derivatives, net of tax of $390	—	—	—	—	(585)	—	—	(585)
Net income	—	—	—	65,380	—	—	—	65,380
Balance, April 30, 2007	38,070	$ 381	$ 359,469	$ 146,962	$ 348	(6,954)	$(203,670)	$ 303,490

See Notes to Consolidated Financial Statements.

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JACKSON HEWITT TAX SERVICE INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Fiscal Year Ended April 30,		
	2007	2006	2005
Operating Activities:			
Net income	$ 65,380	$ 57,961	$ 49,951
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	12,266	11,428	11,398
Amortization of Gold Guarantee® product	(2,629)	(2,296)	(1,576)
Amortization of development advances	1,312	1,190	1,190
Write-off of deferred financing costs	108	2,677	—
Provision for uncollectible receivables, net	2,533	2,470	3,081
Stock-based compensation	4,122	2,808	6,352
Deferred income taxes	109	(3,306)	11,298
Excess tax benefits on stock options exercised	(1,281)	(2,305)	(70)
Other	166	(285)	558
Changes in assets and liabilities, excluding the impact of acquisitions:			
Accounts receivable	(957)	(7,453)	12,371
Notes receivable	908	137	(90)
Prepaid expenses and other	(9,473)	(6,506)	(7,879)
Accounts payable, accrued and other liabilities	(13,899)	17,541	(759)
Income taxes payable	11,238	28,273	19,866
Deferred revenues	9,878	10,709	9,206
Net cash provided by operating activities	79,781	113,043	114,897
Investing Activities:			
Capital expenditures	(8,949)	(10,714)	(4,919)
Funding provided to franchisees	(6,489)	(4,105)	(2,317)
Repayment of franchisee notes	2,133	—	—
Cash paid for acquisitions	(3,828)	(1,929)	(2,548)
Other	—	336	381
Net cash used in investing activities	(17,133)	(16,412)	(9,403)
Financing Activities:			
Common stock repurchases	(142,343)	(61,327)	—
Proceeds from issuance of Notes	—	—	175,000
Cash portion of Special Dividend to Cendant	—	—	(175,000)
Repayment of Notes	—	(175,000)	—
Borrowings under revolving credit facilities	381,000	210,000	20,000
Repayment of borrowings under revolving credit facilities	(304,000)	(160,000)	(20,000)
Dividends paid to stockholders	(15,813)	(11,492)	(7,900)
Debt issuance costs	(561)	(681)	(3,342)
Proceeds from issuance of common stock	3,525	2,873	419
Excess tax benefits on stock options exercised	1,281	2,305	70
Outstanding checks in excess of funds on deposit	806	(1,304)	1,304
Decrease in Due from Cendant	—	—	12,133
Payments on capital leases	—	(119)	(180)
Net cash provided by (used in) financing activities	(76,105)	(194,745)	2,504
Net increase (decrease) in cash and cash equivalents	(13,457)	(98,114)	107,998
Cash and cash equivalents, beginning of fiscal year	15,150	113,264	5,266
Cash and cash equivalents, end of fiscal year	$ 1,693	$ 15,150	$ 113,264
Supplemental disclosure of cash flow information:			
Cash paid for:			
Interest	$ 9,768	$ 8,532	$ 4,972
Income taxes	$ 29,824	$ 13,509	$ 3,663
Supplemental disclosure for non-cash investing and financing transactions:			
Special Dividend—Distribution of Due from Cendant	$ —	$ —	$ 131,852
Adjustment to Special Dividend—completion of final tax return	$ —	$ 2,691	$ —
Common stock grant	$ —	$ 316	$ —

See Notes to Consolidated Financial Statements.

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JACKSON HEWITT TAX SERVICE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BACKGROUND AND BASIS OF PRESENTATION

Description of Business

Jackson Hewitt Tax Service Inc. provides computerized preparation of federal, state and local individual income tax returns in the United States through a nationwide network of franchised and company-owned offices operating under the brand name Jackson Hewitt Tax Service®. The Company provides its customers with convenient, fast and accurate tax return preparation services and electronic filing. In connection with their tax return preparation experience, the Company's customers may select various financial products, including refund anticipation loans ("RALs"). "Jackson Hewitt" and the "Company" are used interchangeably in these notes to the Consolidated Financial Statements to refer to Jackson Hewitt Tax Service Inc. and its subsidiaries, appropriate to the context.

Jackson Hewitt Tax Service Inc. was incorporated in Delaware in February 2004 as the parent corporation in connection with the Company's June 2004 initial public offering ("IPO") pursuant to which Cendant Corporation, now known as Avis Budget Group, Inc. ("Cendant"), divested 100% of its ownership interest in Jackson Hewitt Tax Service Inc. Jackson Hewitt Inc. ("JHI") is a wholly-owned subsidiary of Jackson Hewitt Tax Service Inc. Jackson Hewitt Technology Services LLC is a wholly-owned subsidiary of JHI that supports the technology needs of the Company. Company-owned office operations are conducted by Tax Services of America, Inc. ("TSA"), which is a wholly-owned subsidiary of JHI. The Consolidated Financial Statements include the accounts and transactions of Jackson Hewitt and its subsidiaries.

Basis of Presentation

The accompanying Consolidated Financial Statements have been prepared by the Company in accordance with accounting principles generally accepted in the United States and pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC").

In presenting the Consolidated Financial Statements, management makes estimates and assumptions that affect the amounts reported and related disclosures. Estimates, by their nature, are based on judgment and available information. Accordingly, actual results could differ from those estimates. In the opinion of management, the accompanying Consolidated Financial Statements contain all normal and recurring adjustments necessary for a fair presentation of the Company's financial position, results of operations and cash flows.

The Company's results of operations and cash flows for the period from May 1, 2004 through the Company's IPO date, which are included in fiscal 2005, reflect the historical results of operations and cash flows of the business divested by Cendant in the Company's IPO. As a result, the accompanying Consolidated Financial Statements may not necessarily reflect what the Company's results of operations and cash flows would have been had Jackson Hewitt Tax Service Inc. been a stand-alone public company during this period. See "Note 9—Related Party Transactions," for a more detailed description of the Company's transactions with Cendant.

Certain amounts presented in the prior years' Consolidated Financial Statements have been reclassified to conform to the current year presentation.

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JACKSON HEWITT TAX SERVICE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Comprehensive Income

The Company's comprehensive income is comprised of net income from the Company's results of operations and changes in the fair value of derivatives. The components of comprehensive income, net of tax, are as follows:

	Fiscal Year Ended April 30,		
	2007	2006	2005
		(in thousands)	
Net income	$65,380	$57,961	$49,951
Other comprehensive income, net of tax:			
Change in fair value of derivatives (Note 12)	(585)	933	—
Comprehensive income	$64,795	$58,894	$49,951

Computation of earnings per share

Basic earnings per share is calculated as net income available to the Company's common stockholders divided by the weighted average number of common shares outstanding during the year. Diluted earnings per share is calculated by dividing net income available to the Company's common stockholders by an adjusted weighted average number of common shares outstanding during the year assuming conversion of potentially dilutive securities arising from stock options outstanding. Stock options outstanding as of April 30, 2007 of 40,225 were considered antidilutive due to their exercise prices being higher than the Company's average stock price during the year and therefore were excluded from the computation of diluted earnings per share. No securities were considered antidilutive for fiscal 2006. Stock options outstanding as of April 30, 2005 of 12,000 were considered antidilutive.

2. RECENT ACCOUNTING PRONOUNCEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

Recent Accounting Pronouncements

In July 2006, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes—an interpretation of SFAS No. 109" ("FIN No. 48"). FIN No. 48 clarifies the accounting for uncertainty in income tax positions that the Company has taken or expects to take with respect to a tax refund. FIN No. 48 prescribes a more-likely-than-not threshold for recognition as well as measurement criteria for changes in such tax positions for financial statement purposes. In addition, FIN No. 48 also requires additional qualitative and quantitative disclosures on unrecognized tax benefits to be included in the notes to the consolidated financial statements. The Company adopted the provisions of FIN No. 48 beginning May 1, 2007. The adoption of FIN No. 48 is not expected to have a material impact on the Company's Consolidated Financial Statements.

In September 2006, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurements" ("SFAS No. 157"). SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS No. 157 is effective for the Company beginning May 1, 2008. The Company is currently assessing the potential impact on its Consolidated Financial Statements of adopting SFAS No. 157.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS No. 159") which permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. SFAS No. 159 is effective for the Company beginning May 1, 2008. The Company is currently assessing the potential impact on its Consolidated Financial Statements of adopting SFAS No. 159.

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JACKSON HEWITT TAX SERVICE INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Derivatives and Hedging Activities

The Company has entered into interest rate swap and collar agreements. These agreements are designated as cash flow hedges for the purpose of mitigating the Company's exposure to floating interest rates on certain portions of the Company's debt. The use of derivatives is restricted to those intended for hedging purposes; the use of any derivative instrument for trading purposes is strictly prohibited. The Company's hedge agreements have been recorded on the Consolidated Balance Sheets at their fair values. Changes in the fair values of the interest rate hedge agreements (i.e., gains and losses resulting from these hedges), to the extent that they remain highly effective, are recorded in stockholders' equity as accumulated other comprehensive income (loss). The Company formally assesses (both at inception of the hedge and on an ongoing basis) whether the derivatives that are used in hedging transactions have been highly effective in offsetting changes in the cash flows of hedged items and whether those derivatives may be expected to remain highly effective in future periods. Any hedge ineffectiveness is reclassified from equity to earnings when impacted. See "Note 12—Interest Rate Hedges" for a more detailed discussion of the Company's derivative transactions.

Consolidation Policy

The Consolidated Financial Statements include the accounts and transactions of Jackson Hewitt Tax Service Inc. and its subsidiaries. All intercompany transactions and balances have been eliminated.

In certain situations, the Company provides financial support in the form of loans evidenced by promissory notes or Development Advance Notes ("DANs") to convert independent tax practices to the Jackson Hewitt brand as either a new franchisee or through the acquisition of the independent tax practice by an existing franchisee ("Conversion"). The Company believes that such financing results in the franchisee qualifying as a variable interest entity under the provisions of FASB Interpretation ("FIN") No. 46 (Revised December 2003), a complete replacement of FIN No. 46, "Consolidation of Variable Interest Entities." Based on its analyses, the Company has concluded that it is not the primary beneficiary under these franchise agreements and therefore does not consolidate the operations of such franchisees.

As of April 30, 2007, the Company's maximum exposure to losses associated with such loans and development advance notes was $18.4 million, which represents the sum of the Company's notes receivable, net and development advances, net included on the Consolidated Balance Sheet.

Goodwill, Other Intangible and Long-Lived Assets

Goodwill is the excess of the purchase price over the fair values assigned to the net assets acquired in business combinations. Goodwill is not amortized, but instead is subject to periodic testing for impairment. The Company assesses goodwill for impairment by comparing the carrying values of its reporting units, which are the same as its reportable segments, to their estimated fair values. Goodwill of a reporting unit is tested for impairment on an annual basis or between annual tests if events occur or circumstances change indicating that the fair value of a reporting unit may be below its carrying amount. Goodwill impairment is determined using a two-step approach in accordance with SFAS No. 142, "Goodwill and Other Intangible Assets," using a discounted cash flow approach based on forecasted results for each reporting unit as well as an appropriate discount rate.

The Company determined that its trademark is an indefinite-lived intangible asset, which is similarly tested for impairment and, if impaired, written down to fair value.

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JACKSON HEWITT TAX SERVICE INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Other intangible and long-lived assets are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. The Company tests for impairment based on a comparison of the asset's undiscounted cash flows to its carrying value and, if impaired, written down to fair value based on either discounted cash flows or appraised values.

Cash and Cash Equivalents

The Company considers all highly liquid unrestricted investments purchased with an original maturity of three months or less to be cash equivalents.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation is computed utilizing the straight-line method over the estimated useful lives of the related assets. Amortization of leasehold improvements is computed utilizing the straight-line method over the estimated benefit period of the related assets or the lease term, if shorter. Useful lives generally range from five to seven years for furniture, fixtures and equipment and from two to 15 years for leasehold improvements.

Major improvements are capitalized and minor replacements, maintenance and repairs are charged to expense as incurred. Upon retirement or disposal of assets, the cost and related accumulated depreciation are removed from the Consolidated Balance Sheet and any gain or loss is reflected in the Consolidated Statement of Operations.

Certain costs of software developed or obtained for internal use are capitalized and amortized on a straight-line basis over three to ten years. These costs include payments made to third parties and the compensation of employees developing such software. Costs for general and administrative, overhead, maintenance and training, as well as the cost of software that does not add functionality to the existing software, are expensed as incurred. Unamortized costs were $25.8 million and $27.9 million as of April 30, 2007 and April 30, 2006, respectively.

Revenue Recognition

Revenues that the Company earns are comprised of the following components:

Royalty Revenues: The Company earns royalty revenues from its franchisees. The Company's franchise agreements require franchisees to pay the Company royalty fees based on their revenues. Royalty revenues are recognized upon the completion of tax returns by the Company's franchisees.

Marketing and Advertising Revenues: The Company earns marketing and advertising revenues from its franchisees. The Company's franchisee agreement requires franchisees to pay marketing and advertising fees generally based on 6% of their revenues. Marketing and advertising revenues are recognized upon the completion of tax returns by the Company's franchisees.

Financial Product Fees: Under the financial product agreements with HSBC Taxpayer Financial Services Inc. ("HSBC") and Santa Barbara Bank & Trust, a division of Pacific Capital Bank, N.A. ("SBB&T") that were executed in 2006, the Company earns financial product fees under such agreements during the tax season in the third and fourth fiscal quarters for providing access to its customers at Jackson Hewitt offices and supporting the technology needs of the program. The agreements with HSBC will expire on October 31, 2007. The agreements with SBB&T will expire on October 31, 2008.

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JACKSON HEWITT TAX SERVICE INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Prior to January 2006, the Company earned fixed fees from the financial institutions that provided the Company's financial products for the facilitation of the sale of RALs and assisted refunds to customers throughout the Company's network. The fixed fees that we earned from the financial institutions originated from a fee (typically $25.00) paid by the customer to the financial institution upon approval and funding of the respective financial products. The Company earned a portion of this fee depending upon the financial product facilitated, with the fees that the Company earned varying in amounts up to $14.55 per financial product. These financial products were offered pursuant to the Company's contractual arrangements with financial institutions. The Company recognized revenues for the fixed fees received at the time the financial products were approved by the financial institution.

Additional financial products offered by the Company include the ipower® CashCard (a debit MasterCard® card) and Gold Guarantee product. Revenues from the Gold Guarantee product are earned ratably over the product's 36-month life.

Other Financial Product Revenues: Beginning in January 2006, the Company no longer earns other financial product revenues related to RALs provided to customers.

SBB&T in 2005: The agreement with SBB&T in place for the 2005 tax season resulted in the following revenues: (i) a fee of $19.00 for each RAL facilitated by the Company's network; (ii) a portion of RAL fees collected in 2005 tax season that were originated prior to January 2005; and (iii) a variable fee equal to 50% of the amount by which the net finance fees received by SBB&T exceeded uncollected loans by a threshold amount of at least 1.0% of the aggregate principal amount of RALs made by SBB&T to the Company's customers whereby such revenues were earned by the Company in the first eight months of fiscal 2006.

Additionally, through December 2004 (in fiscal 2005), the Company earned revenues with respect to RALs provided by SBB&T in prior years.

HSBC in 2005: Other financial product revenues represented revenues the Company earned equal to a portion (ranging from 59% to 100%) of the difference between net finance fees paid by customers to HSBC and loan amounts that HSBC was unable to collect. These revenues were in addition to the fixed fees recorded in financial product fees earned from the facilitation of RALs. The finance fee was calculated as a percentage of the total loan amount (subject to a minimum and maximum fee). The finance fees were maintained by HSBC as a reserve against uncollected loans. Other financial product revenues were recognized only to the extent that the reserves maintained by HSBC exceeded the uncollected loans made by HSBC at the end of each reporting period.

Other Revenues: Other revenues include ancillary fees the Company earns from franchisees, including a $2.00 fee per tax return paid by franchisees for the processing of each electronically-transmitted tax return. The Company recognizes revenues from processing fees at the time the tax returns are filed. Other revenues also include revenues that the Company earns from the sale or transfer of our franchise territories. Such revenues are recognized when all material services or conditions relating to the sale have been performed, generally upon completion of a mandatory initial training program for new franchisees.

Service Revenues: Service revenues include only revenues earned at company-owned offices and primarily consist of fees that the Company earns directly from customers for the preparation of tax returns. Service revenues are recognized upon the completion of tax returns by the company-owned offices.

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JACKSON HEWITT TAX SERVICE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Advertising Expenses

Advertising costs are generally expensed in the period incurred. Advertising expenses, which are included as a component of marketing and advertising expenses, were $40.7 million, $36.1 million and $26.6 million in fiscal 2007, fiscal 2006 and fiscal 2005, respectively. In addition, the Company had an accrued liability of $0.3 million and $4.1 million as of April 30, 2007 and April 30, 2006, respectively, related to its constructive obligation for marketing and advertising fees collected in excess of costs incurred.

Accounting for Leases

Total rent payments in an operating lease are recognized straight-line over the lease term, including any rent holiday period. Reimbursements for leasehold improvements are accounted for as a deferred rental liability and recognized as a reduction to rent expense over the term of the lease. Contingent payments based upon sales and future increases determined by inflation related indices cannot be estimated at the inception of the lease and accordingly, are charged to operations as incurred.

3. PROPERTY AND EQUIPMENT

	As of April 30,	
	2007	2006
	(In thousands)	
Computer software	$ 53,899	$ 48,921
Furniture, fixtures and equipment	17,534	14,148
Leasehold improvements	6,834	6,942
Software under development	143	605
Construction in progress	8	571
	78,418	71,187
Less accumulated depreciation and amortization	(43,224)	(35,379)
	$ 35,194	$ 35,808

Depreciation expense was $9.6 million, $8.9 million and $8.7 million in fiscal 2007, fiscal 2006 and fiscal 2005, respectively. The Company did not have any property and equipment under a capital lease as of April 30, 2007 and April 30, 2006, respectively.

4. GOODWILL AND OTHER INTANGIBLE ASSETS

The changes in the carrying amount of goodwill by segment were as follows:

	Franchise Operations	Company-Owned Office Operations	Total
		(In thousands)	
Balance as of April 30, 2005	$336,767	$ 55,924	$392,691
Additions (Note 10)	—	1,933	1,933
Dispositions	—	(1,924)	(1,924)
Balance as of April 30, 2006	336,767	55,933	392,700
Additions (Note 10)	—	2,967	2,898
Purchase accounting adjustments (Note 15)	—	(2,459)	(2,390)
Balance as of April 30, 2007	$336,767	$ 56,441	$393,208

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JACKSON HEWITT TAX SERVICE INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Other intangible assets consisted of:

	As of April 30, 2007			As of April 30, 2006		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
	(In thousands)					
Amortizable other intangible assets:						
Franchise agreements(a)	$16,052	$ (14,394)	$ 1,658	$16,052	$ (12,789)	$ 3,263
Customer relationships(b)	8,913	(6,778)	2,135	7,535	(5,713)	1,822
Total amortizable other intangible assets	$24,965	$ (21,172)	3,793	$23,587	$ (18,502)	5,085
Unamortizable other intangible assets:						
Jackson Hewitt trademark			81,000			81,000
Total other intangible assets, net			$84,793			$86,085

(a) Amortized over a period of ten years.
(b) Amortized over a period of two to seven years.

The changes in the carrying amount of other intangible assets, net, by segment were as follows:

	Franchise Operations	Company-Owned Office Operations	Total
	(In thousands)		
Balance as of April 30, 2005	$ 85,868	$ 1,766	$87,634
Additions (Note 10)	—	1,048	1,048
Dispositions	—	(62)	(62)
Amortization	(1,605)	(930)	(2,535)
Balance as of April 30, 2006	84,263	1,822	86,085
Additions (Note 10)	—	1,378	1,378
Amortization	(1,605)	(1,065)	(2,670)
Balance as of April 30, 2007	$ 82,658	$ 2,135	$84,793

Amortization expense relating to all intangible assets was as follows:

	Fiscal Year Ended April 30,		
	2007	2006	2005
	(In thousands)		
Franchise agreements	$1,605	$1,605	$1,605
Customer relationships	1,065	930	1,142
Total	$2,670	$2,535	$2,747

The Company generally uses the double-declining balance method for amortizing intangible assets-customer relationships, which results in lower amortization as intangible assets enter the later years of their amortizable lives.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Estimated amortization expense related to other intangible assets for each of the fiscal years ended April 30 is as follows:

	Amount (In thousands)
2008	$ 1,907
2009	646
2010	484
2011	389
2012	235
2013 and thereafter	132
Total	$ 3,793

5. FRANCHISE AND COMPANY-OWNED OFFICES IN OPERATION

Offices:	2007	2006	2005
Franchise			
Beginning balance	5,379	4,871	4,330
Additions	629	816	814
Disposals	(230)	(336)	(273))
Purchases from company-owned, net	—	28	—
Ending balance(1)	5,778	5,379	4,871
Company-owned			
Beginning balance	643	613	605
Additions	104	105	69
Disposals	(24)	(47)	(61)
Sales to franchise operations, net	—	(28)	—
Ending balance	723	643	613
Consolidated			
Beginning balance	6,022	5,484	4,935
Additions	733	921	883
Disposals	(254)	(383)	(334)
Ending balance(1)	6,501	6,022	5,484

(1) Includes 214 offices that suspended operations as of April 9, 2007.

Initial franchise fees totaled $4.5 million, $4.4 million (excluding such fees for territory sales in fiscal 2006 to existing franchisees of selected company-owned office operations in Texas and Massachusetts) and $5.4 million in fiscal 2007, fiscal 2006 and fiscal 2005, respectively, and are included in other revenues in the Consolidated Statements of Operations.

6. NOTES RECEIVABLE

The Company periodically finances a portion of the initial franchise fee associated with new territory sales under promissory notes receivable from franchisees up to $20,000. These notes accrue interest annually, ranging

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

from 7% to 12%, and are typically due in four annual installments, including accrued interest, at February 28th of each year. These notes are recorded on the Consolidated Balance Sheets at cost, and are reviewed periodically for collectibility based on the underlying franchisee's payment history, financial status and revenue base. The associated provision for uncollectible amounts is included within cost of franchise operations in the Consolidated Statements of Operations.

In addition, the Company provided financing to franchisees for 101 and 102 storefront locations in fiscal 2007 and fiscal 2006, respectively, in loan amounts of up to $25,000. These notes are typically due over a period of less than 30 months.

	As of April 30,	
	2007	2006
	(In thousands)	
Notes receivable	$11,657	$10,173
Less allowance for uncollectible amounts	(1,112)	(1,890)
Notes receivable, net	10,545	8,283
Less current portion, net	(5,544)	(4,830)
Notes receivable, net—non-current	$ 5,001	$ 3,453

7. DEVELOPMENT ADVANCES

In certain situations, the Company provides financial support evidenced by DANs for Conversions. Assuming the Conversion meets certain performance standards, the DANs are forgiven ratably over a 10 year period consistent with a new 10 year term applying to the franchise agreement (executed in connection with issuance of the DANs). If performance standards as prescribed by the DANs are not met, then the DANs become due and payable by the franchisee. The performance standards consist of the Conversion achieving, during each of the 10 years of the franchisee agreement, (a) gross volume of at least 90% of the revenues earned and at least 90% number of tax returns prepared during the tax season immediately preceding the year of Conversion ("Base Year"), or (b) 100% of the revenues for the Base Year. The Company evaluates the respective franchisee's performance standards and on a quarterly basis conducts an analysis of each franchisee's financial performance and outstanding receivables to determine recoverability with respect to DANs. If it is determined that a portion of the DANs are uncollectible, an adjustment is made to an allowance account.

The DANs are reflected in other non-current assets on the Company's Consolidated Balance Sheets and the Company amortizes the DANs ratably over the 10 year period in which the DANs are forgiven. Amortization of DANs and provision for uncollectible amounts in connection with DANs are included in cost of franchise operations in the Consolidated Statements of Operations.

	As of April 30,	
	2007	2006
	(In thousands)	
Unamortized development advances	$8,513	$7,861
Less allowance	(638)	(999)
Development advances, net	$7,875	$6,862

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	As of April 30,	
	2007	2006
	(In thousands)	
Accounts payable	$ 1,582	$ 325
Accrued payroll and related liabilities	10,524	16,844
Litigation settlement accruals	113	6,050
Accrued marketing and advertising	2,638	5,225
Accrued purchase price obligations	1,805	1,243
Outstanding checks in excess of funds on deposit	806	—
Other accrued liabilities	13,984	14,314
Total accounts payable and accrued liabilities	$31,452	$44,001

9. RELATED PARTY TRANSACTIONS

Special Dividend Paid to Cendant

Upon completion of the IPO in June 2004, the Company declared a special dividend to Cendant in the amount of $306.9 million (the "Special Dividend"). The $175.0 million cash portion of this Special Dividend was funded entirely from the net proceeds of five-year floating rate senior unsecured notes, as discussed more fully in "Note 11—Long-Term Debt and Credit Facilities." The remaining $131.9 million represented the distribution of a receivable from Cendant.

The Company recorded the Special Dividend as reductions to retained earnings of $175.3 million and additional paid-in capital of $131.6 million. The amount by which retained earnings was reduced represents the accumulation of all earnings by the Company up to the Company's IPO date at which time the Company began operating as a separate public company.

See "Note 15—Income Taxes" for additional detail on the adjustment to the Special Dividend recorded in fiscal 2006.

Allocation and Funding of Expenses

During the period from May 1, 2004 to the Company's IPO date, which is included in fiscal 2005, the Company was allocated general corporate overhead expenses from Cendant for corporate-related functions as well as other expenses directly attributable to the Company. Cendant allocated corporate overhead to the Company based on a percentage of the Company's forecasted revenues and allocated other expenses that directly benefited the Company based on the Company's actual utilization of the services. Corporate expense allocations included executive management, finance, human resources, information technology, legal and real estate facility usage and were included in selling, general and administrative expenses in the Consolidated Statement of Operations. The Company believes the assumptions and methodologies underlying the allocations of general corporate overhead and direct expenses from Cendant to the Company were reasonable and were consistent with the amounts that would have been incurred if the Company had performed these functions as a stand-alone company.

No interest was charged by Cendant or received by the Company with respect to intercompany balances. Prior to the Company's IPO, Cendant used cash swept from the Company's bank accounts to fund these disbursements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The major categories of intercompany activity between the Company and Cendant were as follows:

	Period from May 1, 2004 to the Company's IPO Date
	(In thousands)
Due from Cendant as of April 30, 2004	$ 143,985
Corporate expense allocations	(750)
Payroll and related	(5,461)
Accounts payable funding	(12,878)
Income taxes	2,509
Cash sweeps	4,447
Subtotal	(12,133)
Special Dividend—Distribution of Due from Cendant	(131,852)
Due from Cendant as of the Company's IPO date	$ —

Transitional Agreement and Other Related Agreements

Upon completion of the Company's IPO, the Company entered into a transitional agreement with Cendant to provide for an orderly transition to being an independent company and to govern the continuing arrangements between the Company and Cendant. The Company also entered into a sublease agreement for its corporate headquarters in Parsippany, New Jersey, which expired in September 2005, and a sublease assignment and assumption agreement for its technology facility in Sarasota, Florida, which expired in May 2006. The transitional agreement, under which Cendant generally provided the Company with various back-office services, also contained provisions relating to indemnification, tax sharing and tax indemnification, access to information and non-solicitation of employees. Under the transitional agreement, the cost of each transitional service was negotiated in the context of a parent-subsidiary relationship. Excluding rental costs, the Company incurred $1.4 million and $0.9 million of expenses related to such transitional and other related agreements with Cendant in fiscal 2006 and fiscal 2005, respectively, which is included in cost of franchise operations and selling, general and administrative. By April 30, 2006, the Company had substantially completed all transition arrangements with Cendant.

10. ACQUISITIONS

Assets acquired and liabilities assumed in business combinations were recorded on the Consolidated Balance Sheets as of the respective acquisition dates based upon their estimated fair values at such dates. The excess of the purchase price over the estimated fair values of the underlying assets acquired and liabilities assumed was allocated to goodwill. The results of operations of businesses acquired by the Company have been included in the Consolidated Statements of Operations since their respective dates of acquisition.

In fiscal 2007, the Company acquired five tax return preparation businesses for a total purchase price of $4.3 million, of which $2.5 million was paid at closings and $1.8 million was included in accounts payable and accrued liabilities on the Consolidated Balance Sheet as of April 30, 2007. Payment of certain accrued purchase price obligations includes the requirement that the acquired entities achieve specified revenue levels during the tax season.

In fiscal 2006, the Company acquired five tax return preparation businesses for a total purchase price of $2.7 million, of which $1.5 million was paid at respective closings and $1.2 million was included in accounts

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

payable and accrued liabilities on the Consolidated Balance Sheet as of April 30, 2006. During fiscal 2007, such accrued purchase price obligations were paid.

In fiscal 2005, the Company paid $1.0 million to acquire four tax return preparation businesses. Additionally, under the fiscal 2005 acquisition agreements, the Company also paid consideration of $0.4 million in fiscal 2006 related to the achievement by the entities of specified revenue levels.

The Company's acquisitions in fiscal 2007, fiscal 2006 and fiscal 2005 were not significant to the Company's financial position, results of operations or cash flows either individually or in the aggregate. All goodwill associated with acquisitions in fiscal 2007, fiscal 2006 and fiscal 2005 was allocated to the company-owned office operations segment and is deductible for tax purposes.

11. LONG-TERM DEBT AND CREDIT FACILITIES

$450 Million Credit Facility

On October 6, 2006, the Company amended and restated its five-year unsecured credit facility (the "$450 Million Credit Facility") to increase the borrowing capacity from $250 million to $450 million, extend the maturity date to October 2011, reduce the cost of debt and make a financial covenant less restrictive. Borrowings under the $450 Million Credit Facility are to be used to finance working capital needs, general corporate purposes, potential acquisitions and repurchases of the Company's common stock.

The $450 Million Credit Facility provides for loans in the form of Eurodollar or Base Rate borrowings. Eurodollar borrowings bear interest at the London Inter-Bank Offer Rate ("LIBOR"), as defined in the $450 Million Credit Facility, plus a credit spread as defined in the $450 Million Credit Facility, ranging from 0.50% to 0.75% per annum. Base Rate borrowings, as defined in the $450 Million Credit Facility, bear interest primarily at the Prime Rate, as defined in the $450 Million Credit Facility. The $450 Million Credit Facility carries an annual fee ranging from 0.10% to 0.15% of the unused portion of the $450 Million Credit Facility. The Company may also use the $450 Million Credit Facility to issue letters of credit for general corporate purposes. There was a $0.8 million letter of credit outstanding under the $450 Million Credit Facility as of April 30, 2007 as required under the Company's lease agreement for its corporate headquarters in Parsippany, New Jersey, which was reduced to $0.5 million in May 2007 and will terminate in May 2008.

In connection with amending and restating the credit facility, the Company incurred an additional $0.6 million of financing fees, which were deferred and are being amortized to interest expense over the term of the $450 Million Credit Facility. Additionally, the Company incurred a non-cash charge of $0.1 million in fiscal 2007 related to the write-off of unamortized deferred financing costs in connection with amending and restating the credit facility.

The $450 Million Credit Facility contains the requirement that the Company meet certain financial covenants, such as a maximum consolidated leverage ratio of 3.0:1.0 and a minimum consolidated interest coverage ratio of 4.0:1.0. The consolidated leverage ratio is the ratio of consolidated debt to consolidated Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA"), each as defined in the $450 Million Credit Facility. The consolidated interest coverage ratio is the ratio of consolidated EBITDA to consolidated interest expense, each as defined in the $450 Million Credit Facility.

The $450 Million Credit Facility contains various customary restrictive covenants that limit the Company's ability to, among other things; (i) incur additional indebtedness or guarantees; (ii) create liens or other encumbrances on the Company's property; (iii) enter into a merger or similar transaction; (iv) sell or transfer property except in the ordinary course of business; and (v) make dividend and other restricted payments.

As of April 30, 2007, the Company is not aware of any instances of non-compliance with such financial or restrictive covenants.

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JACKSON HEWITT TAX SERVICE INC.

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Floating Rate Senior Unsecured Notes

On June 27, 2005, the Company repaid in full $175.0 million of five-year floating-rate senior unsecured notes (the "$175 Million Notes"). To repay the $175 Million Notes, the Company used cash provided by operations from the prior tax season of $76.0 million and borrowed $99.0 million under the $100.0 million five-year revolving credit facility (the "$100 Million Credit Facility") discussed below.

The Company had issued the $175 Million Notes through a private placement on June 25, 2004 in connection with the Company's IPO. The purpose of this issuance was to fund the cash portion of the Special Dividend paid to Cendant upon Cendant's divestiture of its entire ownership in the Company. The $175 Million Notes accrued interest based on the three-month LIBOR plus 1.5%.

In connection with the issuance of the $175 Million Notes, the Company incurred $1.7 million of financing fees which were deferred and were being amortized to interest expense over the term of the $175 Million Notes. The Company incurred a non-cash charge of $1.4 million in fiscal 2006 related to the write-off of deferred financing costs associated with the repayment in June 2005 of the $175 Million Notes.

$100 Million Credit Facility

On June 29, 2005, the Company repaid and then immediately terminated the $100 Million Credit Facility, which the Company had established on June 25, 2004.

In connection with entering into the $100 Million Credit Facility, the Company incurred $1.6 million of financing fees, which were deferred and were being amortized to interest expense over the five-year term of the $100 Million Credit Facility. The Company incurred a non-cash charge of $1.3 million in fiscal 2006 related to the write-off of deferred financing costs associated with the termination of the $100 Million Credit Facility.

On June 27, 2005, the Company borrowed $99.0 million from the $100 Million Credit Facility and two days later repaid this amount in full.

Average Cost of Debt

The Company's average cost of debt was 6.2%, 5.5% and 4.2% in fiscal 2007, fiscal 2006 and fiscal 2005, respectively.

12. INTEREST RATE HEDGES

In August 2005, the Company entered into interest rate swap agreements with financial institutions to convert a notional amount of $50.0 million of floating-rate borrowings into fixed-rate debt, with the intention of mitigating the economic impact of changing interest rates. Under these interest rate swap agreements, which became effective in October 2005, the Company receives a floating interest rate based on the three-month LIBOR (in arrears) and pays a fixed interest rate averaging 4.4%. In connection with extending the maturity date under the amended and restated credit facility, in October 2006 the Company entered into interest rate collar agreements to become effective after the interest rate swap agreements terminate. The interest rate collar agreements were entered into with financial institutions to limit the variability of expense/payments on $50.0 million of floating-rate borrowings during the period from July 2010 to October 2011 to a range of 5.5% (the cap) and 4.6% (the floor). These interest rate collar agreements were determined to be cash flow hedges in accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" as amended by SFAS No. 137, No. 138 and No. 149. As of April 30, 2007 and April 30, 2006, the aggregate fair value of the

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

interest rate swap agreements was $0.6 million and $1.6 million, respectively, and was included in other non-current assets on the Consolidated Balance Sheets. As of April 30, 2007, the aggregate fair value of the interest rate collar agreements was a liability of $0.1 million and was included in other non-current liabilities on the Consolidated Balance Sheets. Since inception, no amounts have been recognized in the results of operations due to ineffectiveness of the interest rate hedges.

13. STOCK-BASED COMPENSATION AND RETIREMENT BENEFITS

Stock Options

On September 20, 2006, the Company's stockholders approved and adopted an amendment and restatement of the Jackson Hewitt Tax Service Inc. 2004 Equity and Incentive Plan (the "Amended and Restated Plan") that, among other things, increases the number of shares of common stock available for grant thereunder from 4.0 million to 6.5 million. The Amended and Restated Plan provides for the grant of incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock, restricted stock units ("RSUs") and/or other stock-or cash-based awards representing the Company's common stock to non-employee directors, officers, employees, advisors and consultants who are selected by the Company's Compensation Committee for participation in the plan. Upon option exercise, the number of securities available for future issuance under the Amended and Restated Plan is reduced by the respective number of shares issued.

Under the Amended and Restated Plan, stock options are granted, with the exception of certain stock options granted at the time of the Company's IPO, with an exercise price equal to the market price of a share of common stock on the date of grant and have a contractual term of ten years. All stock options granted through April 30, 2007 vest based on four years of continuous service from the date of grant. Certain awards provide for accelerated vesting if there is a change in control (as defined in the Amended and Restated Plan). The Amended and Restated Plan includes nondiscretionary antidilution provisions in case of an equity restructuring.

On January 1, 2003, the Company had adopted the fair value method of accounting for stock-based compensation provisions of SFAS No. 123, "Accounting for Stock-Based Compensation" in conjunction with Cendant's adoption and the transitional provisions of SFAS No. 148, "Accounting for Stock-Based Compensation–Transition and Disclosure." Additionally, on May 1, 2006, the Company adopted the provisions of SFAS No. 123 (Revised 2004), "Share-Based Payment" ("SFAS No. 123R"), which replaced SFAS No. 123, superseded APB No. 25, "Accounting for Stock Issued to Employees" and related interpretations and amended SFAS No. 95, "Statement of Cash Flows." Upon adoption of SFAS No. 123R, the Company began recognizing stock-based compensation net of estimated forfeitures upon the issuance of the stock option. Previously, the Company recognized the related benefit upon forfeiture of the award for periods prior to fiscal 2007. The Company uses an estimated forfeiture rate based on its historical pre-vesting forfeiture data. Additionally, SFAS No. 123R requires the benefits associated with tax deductions in excess of recognized compensation cost to be reported as a financing cash flow rather than as an operating cash flow as previously required. The Company's Statements of Cash Flows reflects such presentation for all years presented.

The Company incurred stock-based compensation expense of $3.8 million (net of a $0.1 million cumulative effect adjustment related to forfeitures upon adopting SFAS No. 123R), $2.5 million and $1.4 million in fiscal 2007, fiscal 2006 and fiscal 2005, respectively, in connection with the vesting of employee stock options. The associated future income tax benefit recognized was $1.5 million, $1.0 million and $0.5 million in fiscal 2007, fiscal 2006 and fiscal 2005, respectively.

The weighted average grant date fair value of the Jackson Hewitt stock options granted during fiscal 2007, fiscal 2006 and fiscal 2005 was $11.50, $6.41 and $6.04, respectively. The fair value of each option award was

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

estimated on the date of grant using the Black-Scholes option-pricing model. For the expected holding period, the Company uses the method permitted under SEC SAB No. 107, "Share-Based Payment" to determine expected holding period and will continue to do so through December 31, 2007 at which point the Company will have accumulated a reasonably consistent history of exercised options since its IPO in order to make a more refined estimate. Expected volatility was based on the Company's historical publicly-traded stock price. The risk-free interest rate assumption is determined using the Federal Reserve nominal rates for U.S. Treasury zero-coupon bonds with maturities similar to those of the expecting holding period of the award being valued.

The following table sets forth the weighted average assumptions used to determine compensation cost for stock options granted during fiscal 2007, fiscal 2006 and fiscal 2005:

	Fiscal Year Ended		
	2007	2006	2005
Expected holding period (in years)	6.25	6.25	7.5
Expected volatility	32.0%	28.0%	31.3%
Dividend yield	1.5%	1.5%	1.6%
Risk-free interest rate	4.9%	3.9%	4.4%

The following table summarizes information about stock option activity for fiscal 2007, fiscal 2006 and fiscal 2005:

	Fiscal Year Ended April 30,					
	2007		2006		2005	
	Number of Stock Options	Weighted Average Exercise Price	Number of Stock Options	Weighted Average Exercise Price	Number of Stock Options	Weighted Average Exercise Price
Beginning balance	2,461,152	$ 17.68	1,947,683	$ 15.73	1,396,595	$ 16.06
Cancellation of Cendant stock options	—	—	—	—	(1,396,595)	$ 16.06
Converted stock options from Cendant stock options at the Company's IPO date	—	$ —	—	$ —	903,935	$ 13.97
Granted	554,414	$ 32.76	821,270	$ 21.45	1,158,828	$ 17.08
Exercised	(225,828)	$ 15.60	(196,868)	$ 14.60	(33,447)	$ 12.61
Forfeited.	(11,336)	$ 17.03	(106,284)	$ 17.14	(78,201)	$ 17.00
Expired.	(891)	$ 17.00	(4,649)	$ 9.47	(3,432)	$ 13.50
Ending balance	2,777,511	$ 20.86	2,461,152	$ 17.68	1,947,683	$ 15.73

The aggregate intrinsic value under the Black-Scholes option-pricing model ascribed to the stock options exercised during fiscal 2007, fiscal 2006 and fiscal 2005 was $4.1 million, $2.1 million and $0.3 million, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table summarizes information regarding the Company's outstanding and exercisable stock options issued to the Company's employees as of April 30, 2007:

	Outstanding Stock Options			Exercisable Stock Options	
	Number of Stock Options	Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number of Stock Options	Weighted Average Exercise Price
$0.01 to $6.98	3,952	3.7	$ 6.75	3,952	$ 6.75
$6.99 to $10.47	29,069	4.5	$ 9.22	29,069	$ 9.22
$10.48 to $13.96	316,969	4.0	$ 13.38	316,969	$ 13.38
$13.97 to $17.46	1,045,376	6.4	$ 16.72	581,758	$ 16.50
$17.47 to $20.95	629,125	8.1	$ 20.43	150,593	$ 20.40
$20.96 to $24.44	12,000	7.6	$ 22.89	6,000	$ 22.89
$24.45 to $27.93	186,606	8.2	$ 24.85	46,651	$ 24.85
$27.94 to $34.91	554,414	9.1	$ 32.76	—	$ —
	2,777,511	7.1	$ 20.86	1,134,992	$ 16.30

Outstanding stock options as of April 30, 2007 had an aggregate intrinsic value of $18.7 million. Exercisable stock options as of April 30, 2007 had an aggregate intrinsic value of $12.8 million and an average remaining contractual life of 5.6 years. There were 2,695,385 outstanding stock options vested or expected to vest as of April 30, 2007 with a weighted average exercise price of $20.76. Such outstanding stock options had an aggregate intrinsic value of $18.4 million and an average remaining contractual life of 7.1 years. The aggregate intrinsic values discussed in this section represent the total pre-tax intrinsic value, based on the Company's stock price as of April 30, 2007, which would have been received by the option holders had all option holders exercised their options as of that date. All exercisable stock options as of April 30, 2007 were in-the-money.

The following table summarizes the changes in the Company's non-vested stock options for the fiscal year ended April 30, 2007:

	Number of Stock Options	Weighted Average Grant Date Fair Value Per Share
Non-vested as of April 30, 2006	1,546,019	$ 6.24
Granted	554,414	$ 11.50
Vested	(446,578)	$ 6.21
Forfeited	(11,336)	$ 6.01
Non-vested as of April 30, 2007	1,642,519	$ 8.02

As of April 30, 2007, there was $8.1 million of total unrecognized compensation cost related to non-vested stock options, which is expected to be recognized over a weighted average period of 2.5 years. The total fair value of stock options vested during fiscal 2007 and fiscal 2006 was $2.8 million and $1.5 million, respectively. No stock options vested from the date of the Company's IPO through April 30, 2005.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Restricted Stock Units

The Company incurred stock-based compensation expense of $0.3 million, $0.3 million and $0.5 million in fiscal 2007, fiscal 2006 and fiscal 2005, respectively, in connection with the issuance of fully vested and non-forfeitable RSUs to certain non-employee directors that are payable in shares of the Company's common stock as a one-time distribution upon termination of services. In fiscal 2007, the Company granted 9,333 RSUs with a weighted average grant price of $32.76. In fiscal 2006, the Company granted 10,880 RSUs with a weighted average grant price of $26.18. In fiscal 2005, the Company granted 25,636 RSUs with a weighted average grant price of $18.17. As of April 30, 2007, there were 45,849 RSUs outstanding with a weighted average grant price of $23.03. For additional information related to Cendant RSUs that were cancelled and converted into Jackson Hewitt common stock in connection with the Company's IPO, see "Exchange Transaction" below.

Exchange Transaction (Fiscal 2005)

Prior to the Company's IPO, certain employees of the Company were granted stock options and RSUs under Cendant's stock-based compensation plans. In connection with the Company's IPO and pursuant to the consent of each holder, the Company issued to employees 903,935 vested stock options and 100,880 shares of common stock in exchange for their Cendant stock options and RSUs, respectively. The exchange transaction was structured to provide the same relative value to employees as the Cendant awards held by such employees prior to the Company's IPO. As a result of the exchange transaction, the Company incurred stock-based compensation of $4.5 million in fiscal 2005, which is included in selling, general and administrative expenses in the Consolidated Statement of Operations. Included in the $4.5 million charge was a $1.9 million charge related to the issuance to employees of vested stock options to purchase shares of Jackson Hewitt common stock in exchange for their Cendant stock options. Additionally, Cendant RSUs held by the Company's employees were cancelled and converted into Jackson Hewitt common stock that resulted in $2.6 million of stock-based compensation expense, of which $1.0 million represented the value of shares withheld to satisfy the employees' income and payroll tax obligations.

Employee Stock Purchase Plan

The Company has authorized a stock purchase plan under which eligible employees have the ability to purchase shares of the Company's common stock at 95% of market value. No common stock has been offered for purchase under this plan as of April 30, 2007.

Defined Contribution Plan

The Company's full-time and part-time benefit eligible employees may participate in a 401(k) defined contribution plan sponsored by the Company. The plan allows employees to contribute a portion of their compensation on a pre-tax basis in accordance with specified guidelines. The Company matches a percentage of employee contributions up to certain limits. The charge for the Company's matching contribution for the plan was $1.4 million, $1.3 million and $1.0 million in fiscal 2007, fiscal 2006 and fiscal 2005, respectively.

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JACKSON HEWITT TAX SERVICE INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

14. SHARE REPURCHASE PROGRAMS

In fiscal 2007, the Company repurchased 4,415,348 shares of its common stock totaling $142.3 million, including commissions, under two separately authorized share repurchase programs, as described below.

- In September 2006, the Company completed a $75.0 million share repurchase program that had been authorized by the Company's Board of Directors on May 31, 2006. In fiscal 2007, the Company repurchased 2,320,759 shares of its common stock under this program; and
- On October 12, 2006, the Company's Board of Directors authorized a $200.0 million multi-year share repurchase program. The Company has repurchased 2,094, 589 shares of its common stock totaling $67.3 million, including commissions, under this program through April 30, 2007.

In fiscal 2006, the Company repurchased 2,538,197 shares of its common stock totaling $61.3 million, including commissions, under two separately authorized share repurchase programs.

The Company uses the cost method to account for share repurchases, which to date have been made in the open market. None of the Company's repurchased shares have been retired as of April 30, 2007.

15. INCOME TAXES

The Company files a consolidated federal income tax return and combined or separate state income tax returns in each state taxing jurisdiction. For the period ending up to the date of the Company's IPO in June 2004, the Company was included in the consolidated federal income tax return, and combined state income tax returns as a member of Cendant's consolidated group. For the period reported while a member of Cendant's consolidated group, the provision for income taxes was computed as if the Company filed it's federal and state tax returns on a stand-alone basis for the entire year.

The provision for income taxes consists of the following:

	Fiscal Year Ended April 30,		
	2007	2006	2005
		(In thousands)	
Current			
Federal	$35,672	$34,647	$16,931
State	6,365	7,183	3,976
Total current tax provision	42,037	41,830	20,907
Deferred			
Federal	88	(2,226)	10,190
State	21	(1,080)	1,108
Total deferred tax provision	109	(3,306)	11,298
Total provision for income taxes	$42,146	$38,524	$32,205

JACKSON HEWITT TAX SERVICE INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Deferred income tax assets and liabilities consist of:

	As of April 30,	
	2007	2006
	(In thousands)	
Current deferred income tax assets		
Accrued liabilities and deferred revenues	$ 5,140	$ 6,793
Provision for doubtful accounts	858	947
Total current deferred income tax assets	5,998	7,740
Current deferred income tax liabilities		
Prepaid expenses	4,065	3,157
Total current deferred income tax liabilities	4,065	3,157
Current net deferred income tax asset	$ 1,933	$ 4,583
Non-current deferred income tax assets		
Accrued liabilities and deferred revenues	$ 4,547	$ 7,023
Stock-based compensation	3,431	2,065
Provision for doubtful accounts	354	676
Net operating loss carryforwards	1,112	1,112
Valuation allowance	(1,112)	(1,112)
Total non-current deferred income tax assets	8,332	9,764
Non-current deferred income tax liabilities		
Depreciation and amortization	36,697	42,855
Prepaid expenses	2,609	2,813
Derivative instruments	232	622
Total non-current deferred income tax liabilities	39,538	46,290
Non-current net deferred income tax liability	$31,206	$36,526

The valuation allowance of $1.1 million as of April 30, 2007 relates to deferred tax assets for state net operating loss carryforwards that were acquired in connection with acquisition of TSA in fiscal 2002. The valuation allowance will be adjusted to goodwill when, and if, the Company determines that the deferred income tax assets are more likely than not to be realized based upon existing state tax laws. In fiscal 2007, the Company recorded a reduction to goodwill of $2.4 million as a purchase accounting adjustment to establish a deferred tax asset related to the acquisition of TSA.

The Company's effective income tax rate differs from the federal statutory rate as follows:

	Fiscal Year Ended April 30,		
	2007	2006	2005
Federal statutory rate	35.0%	35.0%	35.0%
State and local income taxes, net of federal tax benefits	3.9	4.1	4.0
Other	0.3	0.8	0.2
Company's effective income tax rate	39.2%	39.9%	39.2%

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JACKSON HEWITT TAX SERVICE INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Upon completion of the Company's IPO, the Company entered into a transitional agreement with Cendant to provide for an orderly transition to being an independent company and to govern the continuing arrangements between the Company and Cendant. Under the tax sharing and tax indemnification provisions of the transitional agreement, adjustments to the amount of taxes due in prior periods as a result of temporary differences existing at the date of the Company's IPO are to be recorded as an adjustment to the Special Dividend paid to Cendant immediately prior to the Company's IPO. In fiscal 2006, the Company recorded an adjustment reducing additional paid-in-capital (APIC) in the amount of $2.7 million related to the revision of deferred tax amounts at the date of the Company's IPO. The Company may adjust deferred taxes and APIC in future periods as the tax returns for the years prior to the Company's IPO are examined by the taxing authorities.

In connection with the Company's IPO, employees of the Company who held Cendant stock options were provided with the option of retaining their Cendant stock options or converting their Cendant stock options to Company stock options. Those employees who chose to retain their Cendant stock options were allowed up to one year following the Company's IPO to exercise such Cendant stock options. As a result of such exercises, the Company recorded a tax benefit of $1.6 million in fiscal 2006, which was recorded as an increase to APIC.

16. FINANCIAL INSTRUMENTS

Credit Risk and Exposure

The Company invests its excess cash in deposits with high quality institutions. As of April 30, 2007, the Company had no financial instruments that represented a significant concentration of credit risk. Limited amounts are invested in any single institution to minimize risk. The Company had not incurred any credit risk losses related to those investments.

Financial instruments that potentially subject the Company to concentrations of credit risk consist of accounts and notes receivable and development advance notes with its franchisees. The Company manages such risk by evaluating the financial position and creditworthiness of such counterparties. As of April 30, 2007, there were no significant concentrations of credit risk with any individual franchisee or groups of franchisees. Concentrations of credit risk associated with receivables are considered minimal due to the Company's diverse customer base. The Company maintains a provision of potential credit losses based on expected collectibility of all receivables, which the Company believes is adequate for its credit loss exposure. The Company does not normally require collateral or other security to support credit sales.

Accounts receivable due from SBB&T was $0.4 million as of April 30, 2007. The Company considers SBB&T credit worthy and the Company has not historically had any credit losses in connection with related receivables. There were no outstanding receivables from HSBC as of April 30, 2007.

Fair Value

The estimated fair value of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities approximate their respective carrying amounts contained on the Consolidated Balance Sheets due to the short-term maturities of these assets and liabilities. The fair value of notes receivable is determined based on the net present value of estimated payments to be received over the life of the note. The carrying amount and estimated fair value for notes receivable was $10.5 million and $11.2 million, respectively, as of April 30, 2007; and $8.3 million and $9.2 million, respectively, as of April 30, 2006. The estimated fair value of DANs approximates its carrying amount as DANs are carried on the Consolidated Balance Sheet net of both amortization and provision for uncollectible amounts. The estimated fair value of long-term debt approximated its carrying amount as of April 30, 2007 as the interest rate on the long-term debt, excluding the $50.0 million of hedged borrowings whereby the interest rate is fixed, was variable and adjusted to market every three months.

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JACKSON HEWITT TAX SERVICE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

17. SEGMENT INFORMATION

The Company manages and evaluates the operating results of the business in two segments:

- Franchise operations—This segment consists of the operations of the Company's franchise business, including royalty and marketing and advertising revenues, financial product fees and other revenues; and
- Company-owned office operations—This segment consists of the operations of the company-owned offices for which the Company recognizes service revenues primarily for the preparation of tax returns.

Management evaluates the operating results of each of its reportable segments based upon revenues and income before income taxes. Intersegment transactions approximate fair market value and are not significant.

Company-owned office operations typically recognizes marketing and advertising expenses equal to 6% of service revenues from operations, similar to that of franchise operations, which typically recognizes marketing and advertising expenses equal to 6% of total revenues earned by franchises. Company-owned office operations also recognizes regional and local marketing and advertising expenses.

	Franchise Operations	Company-Owned Office Operations	Corporate and Other(a)	Total
	(In thousands)			
Fiscal year ended April 30, 2007				
Total revenues	$213,006	$ 80,190	$ —	$293,196
Expenses:				
Cost of operations	33,435	51,706	—	85,141
Marketing and advertising	37,159	7,088	—	44,247
Selling, general and administrative	3,945	3,395	28,452	35,792
Depreciation and amortization	9,408	2,858	—	12,266
Total expenses	83,947	65,047	28,452	177,446
Income (loss) from operations	$129,059	$ 15,143	$ (28,452)	$115,750
Income (loss) before income taxes	$130,411	$ 15,143	$ (38,028)	$107,526
Total assets	$457,157	$115,528	$ 856	$573,541
Capital expenditures	$ 6,628	$ 2,321	$ —	$ 8,949

	Franchise Operations	Company-Owned Office Operations	Corporate and Other(a)	Total
	(In thousands)			
Fiscal year ended April 30, 2006				
Total revenues	$203,881	$ 71,529	$ —	$275,410
Expenses:				
Cost of operations	31,179	47,084	—	78,263
Marketing and advertising	34,691	6,286	—	40,977
Selling, general and administrative	3,448	3,623	32,652	39,723
Depreciation and amortization	8,706	2,722	—	11,428
Total expenses	78,024	59,715	32,652	170,391
Income (loss) from operations	$125,857	$ 11,814	$ (32,652)	$105,019
Income (loss) before income taxes	$126,978	$ 12,334	$ (42,827)	$ 96,485
Total assets	$510,054	$ 77,460	$ 568	$588,082
Capital expenditures	$ 8,170	$ 2,544	$ —	$ 10,714

JACKSON HEWITT TAX SERVICE INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	Franchise Operations	Company-Owned Office Operations	Corporate and Other(a)	Total
		(In thousands)		
Fiscal year ended April 30, 2005				
Total revenues	$169,466	$ 63,021	$ —	$232,487
Expenses:				
Cost of operations	27,426	42,928	—	70,354
Marketing and advertising	27,416	5,550	—	32,966
Selling, general and administrative	4,130	3,554	22,713	30,397
Depreciation and amortization	7,645	3,753	—	11,398
Total expenses	66,617	55,785	22,713	145,115
Income (loss) from operations	$102,849	$ 7,236	$ (22,713)	$ 87,372
Income (loss) before income taxes	$103,878	$ 7,261	$ (28,983)	$ 82,156
Total assets	$594,447	$ 77,853	$ 2,789	$675,089
Capital expenditures	$ 3,471	$ 1,448	$ —	$ 4,919

(a) Corporate and other expenses include unallocated corporate overhead supporting both segments including legal, finance, human resources, real estate facilities and strategic development activities, as well as stock-based compensation. Total assets represent unallocated common assets supporting both segments.

Revenues earned under agreements with SBB&T and HSBC represent approximately 32%, 35% and 41% of revenues included in the Franchise Operations segment in fiscal 2007, fiscal 2006 and fiscal 2005, respectively.

18. COMMITMENTS AND CONTINGENCIES

Operating Leases

The Company is committed to making rental payments under non-cancelable operating leases covering primarily various facilities with the Company's commitments expiring at various dates through 2014. Most leases require the Company to pay property taxes, maintenance, insurance and related costs.

Future minimum lease payments required under non-cancelable operating leases are as follows:

Fiscal Year	Amount (In thousands)
2008	$ 11,382
2009	7,900
2010	4,606
2011	2,758
2012	2,351
2013 and thereafter	2,169
Total	$ 31,166

Rental expense is included in selling, general and administrative expense and cost of company-owned office operations in the Consolidated Statements of Operations. Certain leases also contain rent escalation clauses that require additional rental amounts in later years of the term. Rental expense for leases with escalation clauses is recognized on a straight-line basis over the non-cancelable lease term. Rental expense was $12.5 million, $11.9 million and $10.8 million in fiscal 2007, fiscal 2006 and fiscal 2005, respectively.

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JACKSON HEWITT TAX SERVICE INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Guarantees

As of April 30, 2007, the Company had outstanding an $0.8 million irrevocable letter of credit under the $450 Million Credit Facility as required under the Company's lease agreement for its corporate headquarters in Parsippany, New Jersey, which was reduced to $0.5 million in May 2007 and will terminate in May 2008.

The Company is required to provide various types of surety bonds, such as tax preparer bonds and performance bonds, which are irrevocable undertakings by the Company to make payment in the event the Company fails to perform certain of its obligations to third parties. These bonds vary in duration although most are issued and outstanding from one to two years. If the Company fails to perform under its obligations, the maximum potential payment under these surety bonds is $2.1 million as of April 30, 2007. Historically, no surety bonds have been drawn upon and there is no future expectation that these surety bonds will be drawn upon.

The Company, through TSA, provides customers of company-owned offices with a guarantee in connection with the preparation of tax returns that may require it in certain circumstances to pay penalties and interest assessed by a taxing authority. The Company recognized a liability of $0.1 million as of April 30, 2007 and April 30, 2006 for the fair value of the obligation undertaken in issuing the guarantee. Such liability was included in accounts payable and accrued liabilities on the Consolidated Balance Sheet. In addition, the Company may be required to pay additional tax (or refund shortfall) assessed by a taxing authority for all customers that purchase the Company's Gold Guarantee product. The Company may incur a liability to the extent that the total customer Gold Guarantee claims exceed maximum thresholds pursuant to the contract between the Company and the third party program provider. There have been no amounts paid by the Company under this arrangement in the past relating to such potential liability and the Company does not expect to be required to make payment in the future.

The transitional agreement with Cendant provides that the Company continues to indemnify Cendant and its affiliates against potential losses based on, arising out of or resulting from, among other things, claims by third parties relating to the ownership or the operation of the Company's assets or properties and the operation or conduct of the Company's business, whether in the past or future, including any currently pending litigation against Cendant and any claims arising out of or relating to the Company's IPO. Additionally, the transitional agreement provides that the Company is responsible for the respective tax liabilities imposed on or attributable to the Company and any of the Company's subsidiaries relating to all taxable periods. Accordingly, the Company is required to indemnify Cendant and its subsidiaries against any such tax liabilities imposed on or attributable to the Company and any of the Company's subsidiaries. While there have not been any indemnification claims against the Company under these arrangements since the Company's IPO, the Company could be obligated to make payments in the future.

The Company routinely enters into contracts that include indemnification provisions that serve to protect the contracting parties from losses such parties suffer as a result of acts or omissions of the Company and/or its affiliates, including in particular indemnity obligations relating to (a) tax, legal and other risks related to the purchase of businesses or the provision of services; (b) indemnification of the Company's directors and officers; (c) indemnities of various lessors in connection with facility leases for certain claims arising from such facility or lease; and (d) third-party claims, including those from franchisees, relating to various arrangements in the normal course of business. There is no stated maximum payment related to these indemnities, and the term of indemnities may vary and in many cases is limited only by the applicable statute of limitations. The likelihood of any claims being asserted against the Company and the ultimate liability related to any such claims, if any, is difficult to predict. While there have not been any indemnification claims by the Company under these arrangements in the past, there can be no assurance that the Company will not be obligated to make payments in the future.

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JACKSON HEWITT TAX SERVICE INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Legal Proceedings

On March 18, 2003, Canieva Hood and Congress of California Seniors brought a purported class action suit against Santa Barbara Bank & Trust ("SBB&T") and the Company in the Superior Court of California (Santa Barbara, following a transfer from San Francisco) seeking declaratory relief in connection with the provision of RALs, as to the lawfulness of the practice of cross-lender debt collection, as to the validity of SBB&T's cross-lender debt collection provision and as to whether the method of disclosure to customers with respect to the provision is unlawful or fraudulent, and seeking injunctive relief, restitution, disgorgement, compensatory damages, statutory damages, punitive damages, attorneys' fees, and expenses. The Company is a party in the action for allegedly collaborating, and aiding and abetting, in the actions of SBB&T. The trial court granted a motion for judgment on the pleadings by SBB&T and third-party bank defendants on federal preemption grounds, and stayed all other proceedings pending appeal. The California Court of Appeal reversed the trial court's preemption decision. The California Supreme Court denied review. SBB&T and third-party banks moved in the California Court of Appeal to stay remittitur pending certiorari to the United States Supreme Court. On June 4, 2007, the United States Supreme Court denied certiorari, and the purported class action suit is proceeding in the trial court. A class certification hearing has been tentatively scheduled for October 3, 2007. The Company believes it has meritorious defenses and is contesting this matter vigorously. On December 18, 2003, Ms. Hood also filed a separate suit against the Company in the Ohio Court of Common Pleas (Montgomery County) and is seeking to certify a class in the action. The allegations of negligence, breach of fiduciary duty, and violation of certain Ohio law relate to the same set of facts as the California action. Plaintiff seeks equitable and declaratory relief, damages, attorneys' fees, and expenses. The case is in its discovery and pretrial stage. The Company believes it has meritorious defenses and is contesting this matter vigorously.

On September 26, 2006, Willie Brown brought a purported class action complaint against the Company in the Ohio Court of Common Pleas, Cuyahoga County, on behalf of Ohio customers who obtained RALs facilitated by the Company, for an alleged failure to comply with Ohio's Credit Services Organization Act, and for alleged unfair and deceptive acts in violation of Ohio's Consumer Sales Practices Act, and seeking damages and injunctive relief. On October 30, 2006, the Company filed a notice removing the complaint to the United States District Court for the Northern District of Ohio, Eastern Division. On November 6, 2006, the Company filed a motion to dismiss, and a motion to stay proceedings and to compel arbitration. On December 8, 2006, plaintiff filed a motion to remand the case to the Ohio Court of Common Pleas, Cuyahoga County, which the Company opposed on January 16, 2007. On February 27, 2007 the Court entered an order remanding the case to the Cuyahoga County Court of Common Pleas, without ruling on the other pending motions. On March 6, 2007, the Company filed for permission to appeal the remand decision with the United States Court of Appeals for the Sixth Circuit. A decision by the court is currently pending. The Company believes it has meritorious defenses and is contesting this matter vigorously.

On October 30, 2006, Linda Hunter brought a purported class action complaint against the Company in the United States District Court, Southern District of West Virginia, on behalf of West Virginia customers who obtained RALs facilitated by the Company, seeking damages for an alleged breach of fiduciary duty, for breach of West Virginia's Credit Service Organization Act, for breach of contract, and for unfair or deceptive acts or practices in connection with the Company's RAL facilitation activities. On November 22, 2006, the Company filed a motion to dismiss. A decision by the Court is currently pending, and during such time the case is in its discovery stage. The Company believes it has meritorious defenses and is contesting this matter vigorously.

On April 20, 2007, Brent Wooley brought a purported class action complaint against the Company and certain unknown franchisees in the United States District Court, Northern District of Illinois, on behalf of customers who obtained tax return preparation services that allegedly included false deductions without support by the customer that resulted in penalties being assessed by the IRS against the taxpayer for violations of the

JACKSON HEWITT TAX SERVICE INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Illinois Consumer Fraud and Deceptive Practices Act, and the Racketeer and Corrupt Organizations Act, seeking compensatory and punitive damages, restitution, and attorneys' fees. The alleged violations of the Illinois Consumer Fraud and Deceptive Practices Act relate to representations regarding tax return preparation and Gold Guarantee coverage and denial of Gold Guarantee claims. On June 20, 2007, the Company agreed to plaintiff's request to permit him to file an Amended Complaint in exchange for extending the deadline for filing a motion to dismiss the Amended Complaint to July 31, 2007. The Company believes it has meritorious defenses and is contesting this matter vigorously.

On June 22, 2007, James Chapman brought a purported class action complaint against Jackson Hewitt Inc. and certain unknown franchisees in the United States District Court, District of New Jersey, on behalf of customers whose returns were deemed improper by the IRS and then were denied Gold Guarantee claims for violations of the New Jersey Consumer Fraud Act and the Racketeering and Corrupt Organizations Act as well as breach of contract and unjust enrichment. The Company has not yet been served with the complaint. The Company believes it has meritorious defenses and, if served, intends to contest this matter vigorously.

The Company is from time to time subject to other legal proceedings and claims in the ordinary course of business, none of which the Company believes are likely to have a material adverse effect on the Company's financial position, results of operations or cash flows. However, there can be no assurance that such litigation or claims, or any future litigation or claims, will not have a material adverse effect on the Company's financial position, results of operations or cash flows.

19. SUPPLEMENTARY DATA: SELECTED CONSOLIDATED QUARTERLY DATA (UNAUDITED)

The following table presents the Company's unaudited consolidated statements of operations data for each of the eight quarters in the two-year period ended April 30, 2007. In the Company's opinion, this information has been presented on the same basis as the audited Consolidated Financial Statements beginning on page 45 of this Annual Report on Form 10-K, and all necessary adjustments, consisting only of normal recurring adjustments, have been included in the amounts below to present fairly the unaudited quarterly results when read in conjunction with the audited Consolidated Financial Statements and related notes. The operating results for any quarter should not be relied upon as necessarily indicative of results for any future period. The Company expects the quarterly operating results to fluctuate in future periods due to a variety of reasons, including those discussed in "Part I. Item 1A.—Risk Factors."

	Fiscal Year 2007 Quarter Ended			
	April 30, 2007	January 31, 2007(2)	October 31, 2006	July 31, 2006
	(In thousands, except per share amounts)			
Revenues	$166,734	$114,446	$ 6,155	$ 5,861
Income (loss) from operations	$110,673	$ 48,780	$ (23,435)	$(20,268)
Net income (loss)	$ 66,001	$ 27,538	$ (15,489)	$(12,670)
Earnings (loss) per share:				
Basic	$ 2.07	$ 0.84	$ (0.46)	$ (0.36)
Diluted	$ 2.03	$ 0.83	$ (0.46)	$ (0.36)

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JACKSON HEWITT TAX SERVICE INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	Fiscal Year 2006 Quarter Ended			
	April 30, 2006	January 31, 2006(2)	October 31, 2005	July 31, 2005(1)
	(In thousands, except per share amounts)			
Revenues	$165,122	$ 95,155	$ 9,026	$ 6,107
Income (loss) from operations	$ 97,678	$ 42,212	$ (17,108)	$(17,763)
Net income (loss)	$ 57,989	$ 24,467	$ (11,288)	$(13,207)
Earnings (loss) per share:				
Basic	$ 1.64	$ 0.69	$ (0.31)	$ (0.35)
Diluted	$ 1.62	$ 0.69	$ (0.31)	$ (0.35)

(1) The Company incurred a non-cash charge of $2.7 million associated with the repayment of the $175 Million Notes and the termination of the Company's $100 Million Credit Facility.
(2) The Company incurred litigation related expenses of $1.9 million in the three months ended January 31, 2007 and $3.5 million in the three months ended January 31, 2006.

The accumulation of four quarters in fiscal years 2007 and 2006 for earnings (loss) per share may not equal the related per share amounts for the years ended April 30, 2007 and 2006 due to the timing of the exercise of stock options and the antidilutive effect of stock options.

20. SUBSEQUENT EVENT

Declaration of Dividend

On May 30, 2007, the Company's Board of Directors declared a quarterly cash dividend of $0.18 per share of common stock, payable on July 13, 2007, to common stockholders of record on June 28, 2007.

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SCHEDULE II
JACKSON HEWITT TAX SERVICE INC.
VALUATION AND QUALIFYING ACCOUNTS

	Fiscal Year Ended April 30,		
	2007	2006	2005
		(in thousands)	
Valuation and Qualifying Accounts			
Allowance for Doubtful Accounts(1):			
Balance at beginning of fiscal year	$ 4,057	$ 4,715	$ 4,672
Charged to expenses	2,533	2,840	3,081
Deductions	(3,561)	(3,498)	(3,038)
Balance at end of fiscal year	$ 3,029	$ 4,057	$ 4,715
Deferred Tax Asset Valuation Allowance:			
Balance at beginning of fiscal year	$ 1,112	$ 1,112	$ 1,112
Charged to expenses	—	—	—
Deductions	—	—	—
Balance at end of fiscal year	$ 1,112	$ 1,112	$ 1,112

(1) Represents aggregate allowance for doubtful accounts related to accounts receivable, notes receivable and development advances.

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

There were no changes in or disagreements with accountants on accounting and financial disclosure.

ITEM 9A. CONTROLS AND PROCEDURES.

(a) Evaluation of Disclosure Controls and Procedures.

The Company's Management has established disclosure controls and procedures to ensure that material information relating to us, including our consolidated subsidiaries, is made known to the officers who certify our reports and to other members of senior management and the Board of Directors.

Based on their evaluation as of the end of the period covered by this Annual Report on Form 10-K, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) under the Securities Exchange Act of 1934) are effective to ensure that the information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. The Company's disclosure controls are designed to provide a reasonable level of assurance that the stated objectives are met. The Company's management, including the principal executive officer and principal financial officer, does not expect that the Company's disclosure controls or internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. The design of a control system must also reflect the fact that there are resource constraints, with the benefits of controls considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. Because of the inherent limitations in a control system, misstatements due to error or fraud may occur and not be prevented or detected.

(b) Management's Report on Internal Control over Financial Reporting.

Management's report on our internal control over financial reporting and the report of our independent registered public accounting firm set forth in "Part II. Item 8—Financial Statements and Supplementary Data" beginning on page 45 are incorporated herein by reference.

(c) Changes in Internal Control over Financial Reporting.

During the fourth quarter of fiscal 2007, there were no changes that materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

ITEM 9B. OTHER INFORMATION.

There is no other information to be disclosed.

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The information contained in our Proxy Statement under the sections titled "Board of Directors and Corporate Governance—General", "Executive Officers", "Board of Directors and Corporate Governance-Biographical Information for the Nominees and Continuing Directors", "Security Ownership of Certain Beneficial Owners and Management—Section 16 (a) Beneficial Ownership Reporting Compliance" and "Board of Directors and Corporate Governance—Committees of the Board—Audit Committee" is incorporated herein by reference in response to this item.

We have adopted a Code of Conduct that applies to all of our officers and employees, including our principal executive and principal financial officers. We have also adopted a Code of Conduct for Directors that applies to all of our directors. You can find each of these Codes in the "Investor Relations—Corporate Governance" section of our website at *www.jacksonhewitt.com*. We will post on our website any amendments to these Codes, as well as any waivers that are required to be disclosed by the rules of either the SEC or the NYSE. You can also obtain a printed copy of the codes without charge by writing to our Corporate Secretary at Jackson Hewitt Tax Service Inc., 3 Sylvan Way, Parsippany, NJ 07054.

ITEM 11. EXECUTIVE COMPENSATION.

The information contained in our Proxy Statement under the sections titled "Executive Compensation" and "Board of Directors and Corporate Governance—Compensation Committee Interlocks and Insider Participation" is incorporated herein by reference in response to this item.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The information contained in our Proxy Statement under the section titled "Security Ownership of Certain Beneficial Owners and Management—Security Ownership Table" is incorporated herein by reference in response to this item.

Equity Compensation Plan Information

The following table provides information about shares of common stock that may be issued upon the exercise of stock options and in connection with outstanding RSUs under all of our existing equity compensation plans as of April 30, 2007.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Stock Options and in Connection with Outstanding RSUs(1)	Weighted-Average Exercise Price of Outstanding Stock Options (Excludes RSUs) ($)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in First Column)
Equity compensation plans approved by our stockholders (2)	2,823,360	20.86	3,106,914

(1) Excludes 569,726 shares of common stock previously issued under our Amended and Restated 2004 Equity and Incentive Plan, as may be amended from time to time, including, options for common stock that have been exercised, restricted stock and, in connection with our IPO, the issuance of common stock to employees in exchange for their Cendant RSUs.

(2) Includes options and other awards granted under our Amended and Restated 2004 Equity and Incentive Plan, as may be amended from time to time, and our Non-Employee Directors Deferred Compensation Plan.

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ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

The information contained in our Proxy Statement under the sections titled "Board of Directors and Corporate Governance—Related Person Transactions" and "Board of Directors and Corporate Governance—Function and Meetings of the Board of Directors—Statement on Corporate Governance—Director Independence" are incorporated herein by reference in response to this item.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The information contained in our Proxy Statement under the section titled "Ratification of Appointment of Auditors" is incorporated herein by reference in response to this item.

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PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) (1) **Financial Statements.** The index to the Consolidated Financial Statements is found on page 45 of this Report.

(2) **Financial Statement Schedule.** Financial Statement Schedule II is found on page 79 of this Report.

(3) **Exhibits.** The list of exhibits set forth on the Exhibit Index is incorporated herein by reference.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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, on June 29, 2007.

JACKSON HEWITT TAX SERVICE INC.

By: /s/ MICHAEL D. LISTER
Michael D. Lister
Chief Executive Officer
(Principal Executive Officer)

By: /s/ MARK L. HEIMBOUCH
Mark L. Heimbouch
Executive Vice President and Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on June 29, 2007.

Signature	Title
/s/ MICHAEL D. LISTER **Michael D. Lister**	Chairman and Chief Executive Officer (Principal Executive Officer)
/s/ MARK L. HEIMBOUCH **Mark L. Heimbouch**	Executive Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
/s/ ULYSSES L. BRIDGEMAN, JR. **Ulysses L. Bridgeman, Jr.**	Director
/s/ RODMAN L. DRAKE **Rodman L. Drake**	Director
/s/ MARGARET MILNER RICHARDSON **Margaret Milner Richardson**	Director
/s/ LOUIS P. SALVATORE **Louis P. Salvatore**	Director
/s/ JAMES C. SPIRA **James C. Spira**	Director

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Exhibit Index

Exhibit No.	Description of Document
3.1	Amended and Restated Certificate of Incorporation, filed as Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended July 31, 2004, file number 1-32215, is incorporated herein by reference.
3.2	Amended and Restated By-Laws of Jackson Hewitt Tax Service Inc., dated May 26, 2005, filed as Exhibit 3.2 to the Company's Annual Report on Form 10-K for the year ended April 30, 2005, file number 1-32215, is incorporated herein by reference.
4.1	Form of Common Stock Certificate filed as Exhibit 4.1 to the Company's Annual Report on Form 10-K for the year ended April 30, 2006, file number 1-32215, is incorporated herein by reference.
4.2	Rights Agreement between Jackson Hewitt Tax Service Inc. and American Stock Transfer and Trust Company (as successor Rights Agent to The Bank of New York), dated June 24, 2004, filed as Exhibit 4.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended July 31, 2004, file number 1-32215, is incorporated herein by reference, as modified by Exhibit 10.25.
10.1	Transitional Agreement among Cendant Corporation, Cendant Operations, Inc. and Jackson Hewitt Tax Service Inc., dated June 25, 2004, filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended July 31, 2004, file number 1-32215, is incorporated herein by reference.
10.2	Form of Franchise Agreement, filed as Exhibit 10.8 to the Company's Annual Report on Form 10-K for the year ended April 30, 2005, file number 1-32215, is incorporated herein by reference.
10.3*	Employee Stock Purchase Plan, filed as Exhibit 10.10 to the Company's Registration Statement on Form S-1/A, file number 333-113593, is incorporated herein by reference.
10.4*	Non-employee Directors Deferred Compensation Plan, filed as Exhibit 10.19 to the Company's Registration Statement on Form S-1/A, file number 333-113593, is incorporated herein by reference.
10.5	Lease Agreement dated as of May 1, 2005 by and between Dun & Bradstreet, Inc. and Jackson Hewitt Tax Service Inc, filed as Exhibit 10.25 to the Company's Current Report on Form 8-K dated May 5, 2005, file number 1-32215, is incorporated herein by reference.
10.6*	Restriction on Sale Agreement dated July 13, 2005 between Jackson Hewitt Tax Service Inc. and Michael D. Lister, filed as Exhibit 10.29 to the Company's Annual Report on Form 10-K for the year ended April 30, 2005, file number 1-32215, is incorporated herein by reference.
10.7	Gateway Building D Office Lease, made as of November 17, 2005, between Sarasota Gateway Building D, LLLP and Jackson Hewitt Inc., filed as Exhibit 10.30 to the Company's Quarterly Report on Form 10-Q for the quarter ended October 31, 2005, file number 1-32215, is incorporated herein by reference.
10.8**	Program Agreement, dated February 24, 2006, between Jackson Hewitt Inc., HSBC Taxpayer Financial Services Inc. and Beneficial Franchise Company, Inc., filed as Exhibit 10.31 to the Company's Quarterly Report on Form 10-Q for the quarter ended January 31, 2006, file number 1-32215, is incorporated herein by reference.
10.9**	Technology Services Agreement, dated February 24, 2006, between Jackson Hewitt Technology Services Inc. and HSBC Taxpayer Financial Services Inc., filed as Exhibit 10.32 to the Company's Quarterly Report on Form 10-Q for the quarter ended January 31, 2006, file number 1-32215, is incorporated herein by reference.

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Exhibit No.	Description of Document
10.10**	Program Agreement, dated as of February 24, 2006, by and between Jackson Hewitt Inc. and Santa Barbara Bank & Trust, filed as Exhibit 10.33 to the Company's Quarterly Report on Form 10-Q for the quarter ended January 31, 2006, file number 1-32215, is incorporated herein by reference.
10.11**	Technology Services Agreement, dated February 24, 2006, by and between Jackson Hewitt Technology Services Inc. and Santa Barbara Bank & Trust, filed as Exhibit 10.34 to the Company's Quarterly Report on Form 10-Q for the quarter ended January 31, 2006, file number 1-32215, is incorporated herein by reference.
10.12	Leasing Operations Supplier Agreement (Products and/or Services), dated April 10, 2006, between Wal*Mart Stores, Inc. and Jackson Hewitt Inc., filed as Exhibit 10.24 to the Company's Annual Report on Form 10-K for the year ended April 30, 2006, file number 1-32215, is incorporated herein by reference.
10.13	Letter Agreement, dated May 11, 2006, by and between Jackson Hewitt Tax Service Inc. and American Stock Transfer and Trust Company, filed as Exhibit 10.25 to the Company's Annual Report on Form 10-K for the year ended April 30, 2006, file number 1-32215, is incorporated herein by reference.
10.14*	Employment Agreement between Jackson Hewitt Tax Service Inc. and Michael D. Lister, effective as of July 20, 2006, filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended July 31, 2006, file number 1-32215, is incorporated herein by reference.
10.15*	Employment Agreement between Jackson Hewitt Tax Service Inc. and Mark L. Heimbouch, effective as of July 20, 2006, filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended July 31, 2006, file number 1-32215, is incorporated herein by reference.
10.16*	Employment Agreement between Jackson Hewitt Tax Service Inc. and Steven L. Barnett, effective as of July 20, 2006, filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended July 31, 2006, file number 1-32215, is incorporated herein by reference.
10.17*	Employment Agreement between Jackson Hewitt Tax Service Inc. and Michael C. Yerington, effective as of August 8, 2006, filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended July 31, 2006, file number 1-32215, is incorporated herein by reference.
10.18*	Jackson Hewitt Tax Service Inc. Amended and Restated 2004 Equity and Incentive Plan, filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed September 22, 2006, file number 1-32215, is incorporated herein by reference.
10.19*	Jackson Hewitt Tax Service Inc. Amended and Restated Nonqualified Deferred Compensation Plan, filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed September 22, 2006, file number 1-32215, is incorporated herein by reference.
10.20	Amended and Restated Credit Agreement among Jackson Hewitt Tax Service Inc., Jackson Hewitt Inc., Tax Services of America, Inc. and Hewfant, Inc., as Borrowers, the Lenders named therein, Wachovia Bank, National Association, as Administrative Agent, Bank of America, N.A., and Citibank, N.A., as co-Syndication Agents, JPMorgan Chase Bank, N.A. and PNC Bank, National Association, as co- Documentation Agents, and Wachovia Capital Markets, LLC, as Sole Lead Arranger and Sole Book Runner, dated as of October 6, 2006, filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended October 31, 2006, file number 1-32215, is incorporated herein by reference.

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Exhibit No.	Description of Document
10.21*	Form of Executive Officer Stock Option Agreement under the Jackson Hewitt Tax Service Inc. Amended and Restated 2004 Equity and Incentive Plan.
21.1	Subsidiaries of the Registrant.
23.1	Consent of Deloitte & Touche LLP.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Management contract or compensatory plan

** Confidential treatment has been requested for the redacted portions of this agreement. A complete copy of the agreement, including the redacted portions, has been filed separately with the Securities and Exchange Commission.