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JACKSON HEWITT TAX SERVICE INC.
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except per share amounts)

| | <u>As of April 30,</u> | |
|--|------------------------|-------------------|
| | <u>2008</u> | <u>2007</u> |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 4,594 | \$ 1,693 |
| Accounts receivable (net of allowance for doubtful accounts of \$694 and \$1,279, respectively) | 17,850 | 17,519 |
| Notes receivable, net | 6,033 | 5,544 |
| Prepaid expenses and other | 13,241 | 11,421 |
| Deferred income taxes | 200 | 1,933 |
| Total current assets | 41,918 | 38,110 |
| Property and equipment, net | 32,099 | 35,194 |
| Goodwill | 414,887 | 393,208 |
| Other intangible assets, net | 86,458 | 84,793 |
| Notes receivable, net | 6,035 | 5,001 |
| Other non-current assets, net | 18,668 | 17,235 |
| Total assets | <u>\$ 600,065</u> | <u>\$ 573,541</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 34,851 | \$ 31,452 |
| Income taxes payable | 48,531 | 58,905 |
| Deferred revenues | 8,264 | 10,038 |
| Total current liabilities | 91,646 | 100,395 |
| Long-term debt | 231,000 | 127,000 |
| Deferred income taxes | 27,298 | 31,206 |
| Other non-current liabilities | 13,604 | 11,450 |
| Total liabilities | <u>363,548</u> | <u>270,051</u> |
| Commitments and Contingencies (Note 18) | | |
| Stockholders' equity: | | |
| Common stock, par value \$0.01; Authorized 200,000,000 shares; Issued: 38,867,231 and 38,069,726 shares, respectively | 389 | 381 |
| Additional paid-in capital | 383,084 | 359,469 |
| Retained earnings | 158,011 | 146,962 |
| Accumulated other comprehensive income | (2,306) | 348 |
| Less: Treasury stock, at cost: 10,440,491 and 6,953,545 shares, respectively | <u>(302,661)</u> | <u>(203,670)</u> |
| Total stockholders' equity | 236,517 | 303,490 |
| Total liabilities and stockholders' equity | <u>\$ 600,065</u> | <u>\$ 573,541</u> |

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, | | |
|---|-----------------------------|------------------|------------------|
| | 2008 | 2007 | 2006 |
| Revenues | | | |
| Franchise operations revenues: | | | |
| Royalty | \$ 76,549 | \$ 83,060 | \$ 76,234 |
| Marketing and advertising | 33,994 | 37,159 | 34,685 |
| Financial product fees | 71,496 | 80,011 | 74,458 |
| Other financial product revenues | — | — | 5,518 |
| Other | 9,934 | 12,776 | 12,986 |
| Service revenues from company-owned office operations | 86,532 | 80,190 | 71,529 |
| Total revenues | <u>278,505</u> | <u>293,196</u> | <u>275,410</u> |
| Expenses | | | |
| Cost of franchise operations | 35,383 | 33,435 | 31,179 |
| Marketing and advertising | 48,388 | 44,247 | 40,977 |
| Cost of company-owned office operations | 65,886 | 51,706 | 47,084 |
| Selling, general and administrative | 48,895 | 35,792 | 39,723 |
| Depreciation and amortization | 13,233 | 12,266 | 11,428 |
| Total expenses | <u>211,785</u> | <u>177,446</u> | <u>170,391</u> |
| Income from operations | 66,720 | 115,750 | 105,019 |
| Other income/(expense): | | | |
| Interest income | 1,835 | 1,856 | 1,924 |
| Interest expense | (14,402) | (9,972) | (8,301) |
| Write-off of deferred financing costs | — | (108) | (2,677) |
| Other | — | — | 520 |
| Income before income taxes | 54,153 | 107,526 | 96,485 |
| Provision for income taxes | 21,726 | 42,146 | 38,524 |
| Net income | <u>\$ 32,427</u> | <u>\$ 65,380</u> | <u>\$ 57,961</u> |
| Earnings per share: | | | |
| Basic | <u>\$ 1.09</u> | <u>\$ 1.97</u> | <u>\$ 1.61</u> |
| Diluted | <u>\$ 1.09</u> | <u>\$ 1.93</u> | <u>\$ 1.59</u> |
| Weighted average shares outstanding: | | | |
| Basic | <u>29,649</u> | <u>33,262</u> | <u>36,061</u> |
| Diluted | <u>29,872</u> | <u>33,812</u> | <u>36,445</u> |
| Cash dividends declared per share: | <u>\$ 0.72</u> | <u>\$ 0.48</u> | <u>\$ 0.32</u> |

See Notes to Consolidated Financial Statements.

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JACKSON HEWITT TAX SERVICE INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands)

| | <u>Common Stock</u> | | <u>Additional</u> | <u>Retained</u> | <u>Accumulated</u> | <u>Treasury Stock</u> | | <u>Total</u> |
|---|---------------------|---------------|-------------------|-----------------|----------------------|-----------------------|---------------|----------------------|
| | <u>Shares</u> | <u>Amount</u> | <u>Paid-in</u> | <u>Earnings</u> | <u>Other</u> | <u>Shares</u> | <u>Amount</u> | <u>Stockholders'</u> |
| | | | <u>Capital</u> | | <u>Comprehensive</u> | | | <u>Equity</u> |
| | | | | | <u>Income(Loss)</u> | | | |
| 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) |
| Vesting of employee stock options | — | — | 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 | — | — | (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) |
| Vesting of employee stock options | — | — | 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 |
| Issuance of shares of common stock to employees upon exercise of stock options | 797 | 8 | 12,011 | — | — | — | — | 12,019 |
| Common stock repurchases | — | — | — | — | — | (3,486) | (98,991) | (98,991) |
| Vesting of employee stock options | — | — | 7,341 | — | — | — | — | 7,341 |
| Issuance of RSUs | — | — | 345 | — | — | — | — | 345 |
| Tax benefit from exercise of stock options, net | — | — | 3,882 | — | — | — | — | 3,882 |

| | | | | | | | | |
|--|---------------|---------------|------------------|------------------|-------------------|-----------------|--------------------|-------------------|
| Dividends paid to stockholders | — | — | — | (21,342) | — | — | — | (21,342) |
| Dividends on RSUs | — | — | 36 | (36) | — | — | — | — |
| Change in fair value of derivatives, net of tax of \$1,769 | — | — | — | — | (2,654) | — | — | (2,654) |
| Net income | — | — | — | 32,427 | — | — | — | 32,427 |
| Balance, April 30, 2008 | <u>38,867</u> | <u>\$ 389</u> | <u>\$383,084</u> | <u>\$158,011</u> | <u>\$ (2,306)</u> | <u>(10,440)</u> | <u>\$(302,661)</u> | <u>\$ 236,517</u> |

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, | | |
|---|-----------------------------|-----------------|------------------|
| | 2008 | 2007 | 2006 |
| Operating Activities: | \$ 32,427 | \$ 65,380 | \$ 57,961 |
| Net income | | | |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 13,233 | 12,266 | 11,428 |
| Amortization of Gold Guarantee® product | (2,723) | (2,629) | (2,296) |
| Amortization of development advances | 1,625 | 1,312 | 1,190 |
| Write-off of deferred financing costs | — | 108 | 2,677 |
| Provision for uncollectible receivables, net | 5,395 | 2,533 | 2,470 |
| Stock-based compensation | 7,686 | 4,122 | 2,808 |
| Deferred income taxes | (407) | 109 | (3,306) |
| Excess tax benefits on stock options exercised | (3,882) | (1,281) | (2,305) |
| Other | 208 | 166 | (285) |
| Changes in assets and liabilities, excluding the impact of acquisitions: | | | |
| Accounts receivable | (5,976) | (957) | (7,453) |
| Notes receivable | 1,800 | 908 | 137 |
| Prepaid expenses and other | (9,055) | (9,473) | (6,506) |
| Accounts payable, accrued and other liabilities | (7,039) | (13,899) | 17,541 |
| Income taxes payable | (6,473) | 11,238 | 28,273 |
| Deferred revenues | 7,130 | 9,878 | 10,709 |
| Net cash provided by operating activities | <u>33,949</u> | <u>79,781</u> | <u>113,043</u> |
| Investing Activities: | | | |
| Capital expenditures | (6,441) | (8,949) | (10,714) |
| Funding provided to franchisees | (9,364) | (6,489) | (4,105) |
| Repayments by franchisees | 2,426 | 2,133 | — |
| Cash paid for acquisitions | (17,669) | (3,828) | (1,929) |
| Other | — | — | 336 |
| Net cash used in investing activities | <u>(31,048)</u> | <u>(17,133)</u> | <u>(16,412)</u> |
| Financing Activities: | | | |
| Common stock repurchases | (98,991) | (142,343) | (61,327) |
| Repayment of Notes | — | — | (175,000) |
| Borrowings under revolving credit facilities | 478,000 | 381,000 | 210,000 |
| Repayment of borrowings under revolving credit facilities | (374,000) | (304,000) | (160,000) |
| Dividends paid to stockholders | (21,342) | (15,813) | (11,492) |
| Debt issuance costs | (110) | (561) | (681) |
| Proceeds from issuance of common stock | 12,019 | 3,525 | 2,873 |
| Excess tax benefits on stock options exercised | 3,882 | 1,281 | 2,305 |
| Change in cash overdrafts | 542 | 806 | (1,304) |
| Payments on capital leases | — | — | (119) |
| Net cash used in financing activities | <u>—</u> | <u>(76,105)</u> | <u>(194,745)</u> |
| Net increase (decrease) in cash and cash equivalents | 2,901 | (13,457) | (98,114) |
| Cash and cash equivalents, beginning of fiscal year | 1,693 | 15,150 | 113,264 |
| Cash and cash equivalents, end of fiscal year | <u>\$ 4,594</u> | <u>\$ 1,693</u> | <u>\$ 15,150</u> |
| Supplemental disclosure of cash flow information: | | | |
| Cash paid for: | | | |
| Income taxes | \$ 28,625 | \$ 29,824 | \$ 13,509 |
| Interest | \$ 13,698 | \$ 9,711 | \$ 8,532 |
| Supplemental disclosure for non-cash investing and financing transactions: | | | |
| Accrued purchase price obligations | \$ 10,853 | \$ 1,805 | \$ 1,243 |
| 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 quality tax return preparation services and electronic filing. In connection with their tax return preparation experience, the Company's customers may select various financial products to suit their needs, 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.

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, | | |
|--|-----------------------------|-----------------|-----------------|
| | 2008 | 2007 | 2006 |
| | | (in thousands) | |
| Net income | \$32,427 | \$65,380 | \$57,961 |
| Changes in fair value of derivatives (Note 12) | (2,654) | (585) | 933 |
| Total comprehensive income | <u>\$29,773</u> | <u>\$64,795</u> | <u>\$58,894</u> |

Computation of earnings per share

Basic earnings per share is calculated as net income divided by the weighted average number of common shares outstanding during the year. Diluted earnings per share is calculated by dividing net income by an adjusted

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weighted average number of common shares outstanding during the year assuming conversion of potentially dilutive securities arising from stock options outstanding and from shares of unvested restricted stock. For fiscal 2008, there were approximately 12,000 potentially dilutive securities arising from shares of unvested restricted stock and approximately 211,000 from stock options outstanding. The effect of dilutive securities is computed using the treasury stock method and average market prices during the year.

At April 30, 2008 and April 30, 2007 there were 1,134,320 and 40,225 outstanding stock options that had exercise prices higher than the average market price in fiscal 2008 and fiscal 2007, respectively and were thus excluded from the computation of diluted loss per share. No securities were considered antidilutive in fiscal 2006.

2. RECENT ACCOUNTING PRONOUNCEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

Recent Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. In February 2008, the FASB issued FASB Staff Position (FSP) FAS 157-2, "Effective Date of FASB Statement No. 157" ("FSP FAS 157-2"). FSP FAS 157-2 defers the implementation of SFAS No. 157 for all non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The Company adopted the remainder of SFAS No. 157 beginning May 1, 2008 and does not expect its adoption to have a material impact on its Consolidated Financial Statements. The aspects that have been deferred by FSP FAS 157-2 will be effective for the Company beginning May 1, 2009 and the Company is currently assessing the potential impact of its adoption on its Consolidated Financial Statements.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 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 159 was effective for the Company beginning May 1, 2008. The adoption of SFAS 159 is not expected to have a material impact on the Company's Consolidated Financial Statements.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), "Business Combinations" ("SFAS 141R"). SFAS 141R establishes principles and requirements for how an acquirer in a business combination recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any noncontrolling interests in the acquiree, and the goodwill acquired. SFAS 141R also establishes disclosure requirements which will enable users to evaluate the nature and financial effects of the business combination. SFAS 141R is effective for the Company as of May 1, 2009 and will then be applied prospectively to business combinations that have an acquisition date on or after May 1, 2009. The Company is currently assessing the potential impact on its Consolidated Financial Statements of adopting SFAS 141R.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133" ("SFAS 161"), which modifies and expands the disclosure requirements for derivative instruments and hedging activities. SFAS 161 requires that objectives for using derivative instruments be disclosed in terms of underlying risk and accounting designation and requires quantitative disclosures about fair value amounts and gains and losses on derivative instruments. It also requires disclosures about credit-related contingent features in derivative agreements. SFAS 161 is effective for the Company beginning February 1, 2009. SFAS 161 encourages, but does not require, comparative disclosures for earlier periods at initial adoption. The principal impact of SFAS 161 will be to require the Company to expand its disclosure regarding the Company's derivative and hedging activities.

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Derivatives and Hedging Activities

The Company accounts for derivatives and hedging activities in accordance with SFAS No. 133, "Accounting for Derivative Investments and Hedging Activities," as amended ("SFAS 133"), which requires that all derivative instruments be recorded on the balance sheet at their respective fair values, with changes in the fair value recognized either in earnings or as a component of other comprehensive income dependent upon the nature of the derivative.

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. The effective portion of changes in fair value of derivatives that are designated and effective as cash flow hedges are recorded in stockholders' equity as accumulated other comprehensive income (loss). Any hedge ineffectiveness is recorded immediately in earnings. 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, 2008, the Company's maximum exposure to losses associated with such loans and development advance notes was \$22.2 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.

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.

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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. As of April 30, 2008 and April 30, 2007, \$1.3 million and \$0.8 million, respectively, of book overdrafts representing outstanding checks in excess of funds on deposit are included in accounts payable in the accompanying consolidated balance sheets.

Property and Equipment

Property and equipment (including leasehold improvements) are initially recorded at cost, net of 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 up 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 beginning in the developmental phase of a project and amortized on a straight-line basis, from three to ten years, when such software is substantially ready for use. 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 \$20.7 million and \$25.8 million as of April 30, 2008 and April 30, 2007, 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 current franchise agreements require franchisees to pay the Company royalty fees equal to 15% of their revenues (the royalty is 12% for most territories sold before mid-year 2000). Royalty revenues are recognized upon the completion of paid 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 equal to 6% of their revenues. Marketing and advertising revenues are recognized upon the completion of paid tax returns by the Company's franchisees.

Marketing and advertising fees are used exclusively by the Company for expenses associated with providing marketing and advertising services. The Company is constructively obligated to expend the marketing and advertising fees it collects from franchisees in accordance with the franchise agreements; as such, no income or loss to the Company is generated. The Company has determined that it is a principal in this transaction and, accordingly, records these revenues and expenses on a gross basis.

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In September and October 2007, the Company entered into the following agreements:

- Program Agreement (the "Republic Program Agreement"), dated September 19, 2007, with Republic Bank & Trust Company ("Republic");
- Technology Services Agreement (the "Republic Technology Agreement"), dated September 19, 2007, with Republic;
- Amended and Restated Program Agreement (the "Amended and Restated SBB&T Program Agreement"), dated September 21, 2007, with Santa Barbara Bank & Trust ("SBB&T");
- Amended and Restated Technology Services Agreement (the "Amended and Restated SBB&T Technology Agreement"), dated September 21, 2007, with SBB&T;
- Amended and Restated Program Agreement (the "Amended and Restated HSBC Program Agreement"), dated October 8, 2007, with HSBC Taxpayer Financial Services Inc. ("HSBC"); and
- Amended and Restated Technology Services Agreement (the "Amended and Restated HSBC Technology Agreement"), dated October 8, 2007, with HSBC.

The Republic Program Agreement, the Amended and Restated SBB&T Program Agreement and the Amended and Restated HSBC Program Agreement are collectively referred to as the "Program Agreements." The Republic Technology Agreement, the Amended and Restated SBB&T Technology Agreement and the Amended and Restated HSBC Technology Agreement are collectively referred to as the "Technology Agreements."

Under the Program Agreements, Republic, SBB&T and HSBC offer, process and administer certain financial products, including refund anticipation loans, through Jackson Hewitt Tax Service locations. In connection with the Program Agreements, each financial product provider pays the Company a fixed annual fee.

Pursuant to the Technology Agreements, the Company provides certain technology support in connection with these programs. Under the Technology Agreements, the Company receives a fixed annual fee as well as variable payments upon the attainment of certain contractual growth thresholds.

During tax season 2008, Republic, SBB&T and HSBC collectively provided financial products to the entire network of Jackson Hewitt Tax Service offices. During tax seasons 2009 and 2010, we expect that Republic and SBB&T will collectively provide financial products to the entire network of Jackson Hewitt Tax Service offices. SBB&T provided a majority of the financial products in the 2008 tax season and we expect that SBB&T will provide the majority of the financial products in each of the tax seasons 2009 and 2010.

Tax Seasons 2007 and 2006

In tax seasons 2007 and 2006, under the financial product agreements with HSBC and SBB&T that were executed in 2006, the Company earned a fixed annual fee as well as a variable payment tied to growth in the programs.

The Company recognizes the fixed annual fees under such agreements on a percentage of completion method over the tax season and the variable payment primarily during the fourth fiscal quarter.

Additional financial products offered by the Company include the *ipower*® Card (a prepaid Visa® card) and Gold Guarantee® product. Revenues from the Gold Guarantee product are earned ratably over the product's life, which approximates 36 months.

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Other Financial Product Revenues: Beginning in January 2006, the Company no longer earned other financial product revenues related to RALs provided to customers. Prior to January 2006, other financial product revenues represented a portion of the net finance fees paid by customers to SBB&T and HSBC from the facilitation of RALs that exceeded uncollected loans provided by SBB&T and HSBC. Additionally, we earned revenues with respect to RALs provided by SBB&T and HSBC in prior years.

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. These initial franchise fees 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.

Advertising Expenses

Advertising costs are expensed in the period incurred. Advertising expenses, which are included as a component of marketing and advertising expenses, were \$41.0 million, \$40.7 million and \$36.1 million in fiscal 2008, fiscal 2007 and fiscal 2006, respectively. In addition, the Company had no accrued liability as of April 30, 2008 and \$0.3 million as of April 30, 2007 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, | |
|--|------------------|------------------|
| | 2008 | 2007 |
| | (In thousands) | |
| Computer software | \$ 56,132 | \$ 53,899 |
| Furniture, fixtures and equipment | 22,419 | 17,534 |
| Leasehold improvements | 7,451 | 6,834 |
| Software under development | 333 | 151 |
| | 86,335 | 78,418 |
| Less accumulated depreciation and amortization | (54,236) | (43,224) |
| Property and equipment, net | <u>\$ 32,099</u> | <u>\$ 35,194</u> |

Depreciation and amortization expense related to property and equipment was \$11.0 million, \$9.6 million and \$8.9 million in fiscal 2008, fiscal 2007 and fiscal 2006, respectively (including \$7.4 million, \$6.5 million and \$5.6 million, respectively, related to computer software).

Table of Contents**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 (In thousands) | Total |
|---|-------------------------|---|------------------|
| Balance as of April 30, 2006 | \$336,767 | \$ 55,933 | \$392,700 |
| Additions (Note 10) | — | 2,967 | 2,967 |
| Purchase accounting adjustments (Note 15) | — | (2,459) | (2,459) |
| Balance as of April 30, 2007 | 336,767 | 56,441 | 393,208 |
| Additions (Note 10) | — | 21,804 | 21,804 |
| Purchase accounting adjustments | — | (125) | (125) |
| Balance as of April 30, 2008 | <u>\$336,767</u> | <u>\$ 78,120</u> | <u>\$414,887</u> |

Other intangible assets consisted of:

| | As of April 30, 2008 | | | As of April 30, 2007 | | |
|---|-----------------------------|-----------------------------|---|-----------------------------|-----------------------------|---------------------------|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount (In thousands) | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| Amortizable other intangible assets: | | | | | | |
| Franchise agreements(a) | \$16,052 | \$ (15,500) | \$ 552 | \$16,052 | \$ (14,394) | \$ 1,658 |
| Customer relationships(b) | 10,784 | (7,903) | 2,881 | 8,913 | (6,778) | 2,135 |
| Total amortizable other intangible assets | <u>\$26,836</u> | <u>\$ (23,403)</u> | <u>3,433</u> | <u>\$24,965</u> | <u>\$ (21,172)</u> | <u>3,793</u> |
| Unamortizable other intangible assets: | | | | | | |
| Jackson Hewitt trademark | | | 81,000 | | | 81,000 |
| Reacquired franchise rights (Note 10) | | | 2,025 | | | — |
| Total unamortizable other intangible assets | | | <u>83,025</u> | | | <u>81,000</u> |
| Total other intangible assets, net | | | <u>\$86,458</u> | | | <u>\$84,793</u> |

(a) Amortized using the straight-line method over a period of ten years.

(b) Consists of customer lists and non-compete agreements. Customer lists are amortized using the double declining method over a period of five years and non-compete agreements are amortized using the straight-line method over a period of two to six years.

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

| | Franchise Operations | Company-Owned Office Operations (In thousands) | Total |
|------------------------------|-------------------------|---|-----------------|
| 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 |
| Additions (Note 10) | 2,025 | 1,846 | 3,871 |
| Amortization | (1,106) | (1,100) | (2,206) |
| Balance as of April 30, 2008 | <u>\$ 83,577</u> | <u>\$ 2,881</u> | <u>\$86,458</u> |

Amortization expense relating to other intangible assets was as follows:

| | Fiscal Year Ended April 30, | | |
|------------------------|-----------------------------|----------------|----------------|
| | 2008 | 2007 | 2006 |
| | (In thousands) | | |
| Franchise agreements | \$1,106 | \$1,605 | \$1,605 |
| Customer relationships | 1,100 | 1,065 | 930 |
| Total | <u>\$2,206</u> | <u>\$2,670</u> | <u>\$2,535</u> |

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.

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

| | Amount (In thousands) |
|---------------------|--------------------------|
| 2009 | \$ 1,178 |
| 2010 | 881 |
| 2011 | 676 |
| 2012 | 446 |
| 2013 | 226 |
| 2014 and thereafter | 26 |
| Total | <u>\$ 3,433</u> |

Table of Contents**5. FRANCHISE AND COMPANY-OWNED OFFICES IN OPERATION**

| | <u>2008</u> | <u>2007</u> | <u>2006</u> |
|--|--------------|--------------|--------------|
| Offices: | | | |
| Franchise | 5,778 | 5,379 | 4,871 |
| Beginning balance | 426 | 629 | 816 |
| Additions | (272) | (230) | (336) |
| Disposals | (169) | — | 28 |
| (Sales to) purchases from company-owned, net(1) | <u>5,763</u> | <u>5,778</u> | <u>5,379</u> |
| Ending balance | | | |
| Company-owned | 723 | 643 | 613 |
| Beginning balance | 124 | 104 | 105 |
| Additions | (16) | (24) | (47) |
| Disposals | 169 | — | (28) |
| Purchases from (sales to) franchise operations, net(1) | <u>1,000</u> | <u>723</u> | <u>643</u> |
| Ending balance | | | |
| Consolidated | 6,501 | 6,022 | 5,484 |
| Beginning balance | 550 | 733 | 921 |
| Additions | (288) | (254) | (383) |
| Disposals | <u>6,763</u> | <u>6,501</u> | <u>6,022</u> |
| Ending balance | | | |

(1) Includes 141 offices in connection with October 4, 2007 Acquisitions. See "Note 10 – Acquisitions."

Initial franchise fees totaled \$2.8 million, \$4.5 million and \$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) in fiscal 2008, fiscal 2007 and fiscal 2006, respectively, and are included in other revenues in the Consolidated Statements of Operations.

6. PREPAID EXPENSES AND OTHER

| | <u>As of April 30,</u> | |
|----------------------------------|------------------------|-----------------|
| | <u>2008</u> | <u>2007</u> |
| | <u>(In thousands)</u> | |
| Prepaid Gold Guarantee | \$ 6,864 | \$ 7,465 |
| Other prepaid expenses | 4,713 | 3,529 |
| Investments, at fair value | 1,078 | 427 |
| Other receivables | 586 | — |
| Total prepaid expenses and other | <u>\$13,241</u> | <u>\$11,421</u> |

Table of Contents**7. 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 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 collectability 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 128, 101 and 102 storefront locations in fiscal 2008, fiscal 2007 and fiscal 2006, respectively, in loan amounts of up to \$25,000. These notes accrue interest annually, ranging from 7% to 9%, and have maturity dates ranging from 2008 to 2012.

| | As of April 30, | |
|--|-----------------|-----------------|
| | 2008 | 2007 |
| | (In thousands) | |
| Notes receivable | \$13,065 | \$11,657 |
| Less allowance for uncollectible amounts | (997) | (1,112) |
| Notes receivable, net | 12,068 | 10,545 |
| Less current portion, net | (6,033) | (5,544) |
| Notes receivable, net—non-current | <u>\$ 6,035</u> | <u>\$ 5,001</u> |

8. 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, | |
|----------------------------------|-----------------|----------------|
| | 2008 | 2007 |
| | (In thousands) | |
| Unamortized development advances | \$10,618 | \$8,513 |
| Less allowance | (503) | (638) |
| Development advances, net | <u>\$10,115</u> | <u>\$7,875</u> |

Table of Contents**9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

| | As of April 30, | |
|--|-----------------|-----------------|
| | 2008 | 2007 |
| | (In thousands) | |
| Accounts payable | \$ 3,439 | \$ 1,582 |
| Accrued payroll and related withholdings | 7,482 | 10,524 |
| Accrued purchase price obligations (Note 10) | 10,853 | 1,805 |
| Accrued interest | 940 | 414 |
| Accrued franchisee incentives | 4,051 | 6,351 |
| Outstanding checks in excess of funds on deposit | 1,348 | 806 |
| Other | 6,738 | 9,970 |
| Total accounts payable and accrued liabilities | <u>\$34,851</u> | <u>\$31,452</u> |

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.

On October 4, 2007, the Company acquired substantially all of the assets of the tax return preparation businesses in the Atlanta, Chicago, and Detroit markets (collectively, the "October 4, 2007 Acquisitions") from a former franchisee and began operating those stores as company-owned locations beginning in the 2008 tax season. Total consideration under the terms of the purchase agreements is \$19.1 million in cash, with fifty percent paid at closing and the remainder due of \$9.55 million is included in accounts payable and accrued liabilities on the Consolidated Balance Sheets as of April 30, 2008. The total consideration includes a \$0.4 million charge related to the termination of franchise agreements with 12% royalty rates and \$18.7 million for the aggregate purchase price, which has been allocated (i) \$1.3 million to property and equipment, (ii) \$1.5 million to reacquired rights under franchise agreements, and (iii) \$15.9 million to goodwill. The settlement loss from unfavorable franchise rights, included in the accompanying Consolidated Statements of Operations in fiscal 2008, was recognized in accordance with Emerging Issues Task Force Issue 04-01, "Accounting for Preexisting Relationships between the Parties to a Business Combination" ("EITF 04-01") that requires any preexisting business relationship between parties to a business combination be evaluated and accounted for separately. Under EITF 04-01, the franchise agreements acquired in the October 4, 2007 Acquisitions with royalty rates below the current 15% royalty rate that the Company receives on new franchise agreements were required to be valued and recognized as an expense and excluded from the purchase price paid for the October 4, 2007 Acquisitions. The amount charged to expense represents the estimated amount by which the 12% royalty rate is lower than the 15% royalty rate over the remaining life of the respective franchise agreements. The reacquired franchise rights represent the exclusive right to operate the tax return preparation businesses under the Jackson Hewitt brand that the Company had granted to the former franchisee. The life of these reacquired rights was determined to be commensurate with the life of the Company's existing trade name. The amount allocated to the reacquired rights represents the current fair market value and has been recorded as an indefinite-lived intangible asset on the Consolidated Balance Sheet as of April 30, 2008.

In addition to the above acquisitions, in fiscal 2008, the Company acquired 12 other tax return preparation businesses for a total purchase price of \$8.5 million, of which \$6.3 million was paid at the closings. The total purchase prices have been allocated (i) \$0.3 million to property and equipment, (ii) \$2.4 million to intangible assets (including \$0.6 million in reacquired franchise rights) and (iii) \$5.8 million to goodwill. As of April 30, 2008, accrued purchase price obligations include \$0.4 million related to a contractual requirement that the acquired entities achieve specified revenue levels during the 2008 tax season.

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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 as a current liability at April 30, 2007.

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 closings and \$1.2 million was included as a current liability at April 30, 2006.

All goodwill associated with acquisitions in fiscal 2008, fiscal 2007 and fiscal 2006 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 May 21, 2008, the Company amended its five-year unsecured credit facility (the "Amended and Restated \$450 Million Credit Facility") to provide for additional flexibility in connection with the allowable maximum consolidated leverage ratio under the credit facility covenants. 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 maximum consolidated leverage ratio was amended from 3.0:1.0 to (i) 3.5:1.0 for the fiscal quarters ending July 31, 2008 through January 31, 2009; (ii) 3.15:1.0 for the fiscal quarters ending April 30, 2009 through October 31, 2009; and (iii) 3.0:1.0 for the fiscal quarters ending January 31, 2010 through July 31, 2011. Additionally, the credit facility was amended to include limitations with regard to share repurchases and acquisitions. The Company is restricted from repurchasing shares until it achieves a consolidated leverage ratio of 2.5:1.0 or lower for two consecutive fiscal quarters. Thereafter, achievement of a consolidated leverage ratio of 3.0:1.0 or below is required for continued share repurchases. The Company is also limited to annual acquisitions of \$15.0 million when the consolidated leverage ratio is greater than 3.0:1.0. As of April 30, 2008, the Company's consolidated leverage ratio was 2.8:2.0. Furthermore, Eurodollar borrowings will bear interest at LIBOR plus a credit spread ranging from 0.50% to 2.00% per annum; Base Rate borrowings will bear interest at the Prime Rate plus a credit spread up to 1.00%; and the annual fee now ranges from 0.10% to 0.40% of the unused portion of the credit facility.

As of April 30, 2008, the Amended and Restated \$450 Million Credit Facility provided for loans in the form of Eurodollar or Base Rate borrowings. Eurodollar borrowings bore interest at the London Inter-Bank Offer Rate ("LIBOR"), as defined in the Amended and Restated \$450 Million Credit Facility, plus a credit spread as defined in the Amended and Restated \$450 Million Credit Facility, ranging from 0.50% to 0.75% per annum. Base Rate borrowings, as defined in the Amended and Restated \$450 Million Credit Facility, bore interest primarily at the Prime Rate, as defined in the Amended and Restated \$450 Million Credit Facility. The Amended and Restated \$450 Million Credit Facility carried an annual fee ranging from 0.10% to 0.15% of the unused portion of the Amended and Restated \$450 Million Credit Facility.

As of April 30, 2008, the Company had \$231.0 million in borrowings outstanding and a \$0.5 million irrevocable letter of credit under the Amended and Restated \$450 Million Credit Facility. The requirement to maintain this irrevocable letter of credit subsequently terminated in May 2008 as provided under the Company's lease agreement for its corporate headquarters in Parsippany, New Jersey.

As of April 30, 2008, the Amended and Restated \$450 Million Credit Facility contained 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"),

For the fiscal year ended April 30, 2008

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each as defined in the Amended and Restated \$450 Million Credit Facility. Effective October 31, 2007, consolidated debt is measured on a trailing four-quarter basis as opposed to using the most recent quarter-end debt figure in the calculation, which provides the Company with additional borrowing capacity at the Company's seasonal borrowing peak. The consolidated interest coverage ratio is the ratio of consolidated EBITDA to consolidated interest expense, each as defined in the Amended and Restated \$450 Million Credit Facility.

As of April 30, 2008, the Amended and Restated \$450 Million Credit Facility contained various customary restrictive covenants that limited 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, 2008, the Company was not aware of any instances of non-compliance with such financial or restrictive covenants.

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 in June 2004. 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 5.6%, 6.2% and 5.5% in fiscal 2008, fiscal 2007 and fiscal 2006, respectively.

12. INTEREST RATE HEDGES

The Company has entered into interest rate swap agreements with financial institutions to convert a notional amount of \$100.0 million of floating-rate borrowings into fixed-rate debt, with the intention of mitigating the

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economic impact of changing interest rates. Under these interest rate swap agreements, the first \$50 million of which became effective in October 2005 and the remaining \$50 million in November 2007, the Company receives a floating interest rate based on the three-month LIBOR (in arrears) and pays a fixed interest rate averaging from 4.4% to 4.5%. These interest rate swap agreements were designated as 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, 2008 and April 30, 2007, the aggregate fair value of these interest rate swap agreements was a liability of \$3.4 million and an asset of \$0.6 million, respectively, and classified as "non-current" on the Consolidated Balance Sheets.

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 initial 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 designated as cash flow hedges in accordance with SFAS No. 133. As of April 30, 2008 and April 30, 2007, the aggregate fair value of these interest rate collar agreements were liabilities of \$0.5 million and \$0.1 million, respectively, and classified as "non-current" 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. CAPITAL STOCK

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, increased 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, shares of 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. As of April 30, 2008, \$2.4 million shares remain available for grant.

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 New York Stock Exchange ("NYSE") closing 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 become exercisable with respect to 25% of the shares on each of the first four anniversaries of the date of grant, subject to continued employment on the vesting date. Stock options granted in fiscal 2008 become exercisable with respect to 20% of the shares on each of the first five anniversaries of the date of grant, subject to continued employment on the vesting date. The Amended and Restated Plan provides for accelerated vesting of outstanding awards if there is a change in control. The Amended and Restated Plan includes nondiscretionary antidilution provisions in case of an equity restructuring.

The Company incurred employee stock-based compensation expense of \$7.3 million, \$3.8 million and \$2.5 million in fiscal 2008, fiscal 2007 and fiscal 2006, respectively, in connection with the vesting of employee stock options. In fiscal 2008, employee stock-based compensation expense included \$2.9 million related to the accelerated vesting of 415,894 stock options attributed to the departure of the Company's former Chief Executive Officer.

The weighted average grant date fair value for each Jackson Hewitt stock option granted in fiscal 2008, fiscal 2007 and fiscal 2006 was \$9.63, \$11.50 and \$6.41, respectively. The fair value of each option award was

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estimated on the date of grant using the Black-Scholes-Merton option-pricing model. The Company uses the method permitted under SEC Staff Accounting Bulletin ("SAB") No. 110, which amends SAB No. 107, "Share-Based Payment," to determine the expected holding period and will continue to do so until the Company is able to accumulate a sufficient number of years of employee exercise behavior from the date of the Company's IPO in June 2004 to make a more refined estimate of expected term. Expected volatility was based on the Company's historical publicly-traded stock price. The risk-free interest rate assumption was determined using the Federal Reserve nominal rates for U.S. Treasury zero-coupon bonds with maturities similar to those of the expected 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 2008, fiscal 2007 and fiscal 2006, respectively:

| | Fiscal | | |
|------------------------------------|--------|-------|-------|
| | 2008 | 2007 | 2006 |
| Expected holding period (in years) | 6.50 | 6.25 | 6.25 |
| Expected volatility | 30.7% | 32.0% | 28.0% |
| Dividend yield | 3.1% | 1.5% | 1.5% |
| Risk-free interest rate | 4.3% | 4.9% | 3.9% |

The following table summarizes information about stock option activity for fiscal 2008:

| | Number of Stock Options | Weighted Average Exercise Price |
|----------------------------------|-------------------------------|--|
| Balance as of April 30, 2007 | 2,777,511 | \$ 20.86 |
| Granted | 920,618 | \$ 26.23 |
| Exercised | (774,854) | \$ 15.51 |
| Forfeited. | (253,171) | \$ 26.01 |
| Expired. | (610) | \$ 17.00 |
| Balance as of April 30, 2008 | 2,669,494 | \$ 23.78 |
| Exercisable as of April 30, 2008 | 1,352,934 | \$ 22.24 |

The aggregate intrinsic value of stock options exercised in fiscal 2008, fiscal 2007 and fiscal 2006 was \$12.7 million, \$4.1 million and \$2.1 million, respectively.

Outstanding in-the-money stock options as of April 30, 2008 had an aggregate intrinsic value of \$0.4 million. Outstanding stock options as of April 30, 2008 had an average remaining contractual life of 6.0 years.

Exercisable in-the-money stock options as of April 30, 2008 had an aggregate intrinsic value of \$0.1 million. Outstanding exercisable stock options as of April 30, 2008 had an average remaining contractual life of 3.5 years.

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The following table summarizes information regarding the Company's outstanding and exercisable stock options issued to the Company's employees as of April 30, 2008:

| | 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 | 1,163 | 2.7 | \$ 6.75 | 1,163 | \$ 6.75 |
| \$6.99 to \$10.47 | 2,860 | 2.3 | \$ 9.22 | 2,860 | \$ 9.22 |
| \$10.48 to \$13.96 | 222,655 | 8.9 | \$ 13.07 | 34,299 | \$ 13.60 |
| \$13.97 to \$17.45 | 615,744 | 5.2 | \$ 16.84 | 472,584 | \$ 16.80 |
| \$17.46 to \$20.94 | 494,146 | 4.9 | \$ 20.42 | 332,014 | \$ 20.42 |
| \$20.95 to \$24.43 | 12,000 | 6.6 | \$ 22.89 | 9,000 | \$ 22.89 |
| \$24.44 to \$27.92 | 186,606 | 0.7 | \$ 24.85 | 186,606 | \$ 24.85 |
| \$27.93 to \$31.41 | 649,681 | 8.2 | \$ 29.66 | 78,918 | \$ 29.51 |
| \$31.42 to \$34.91 | 484,639 | 5.8 | \$ 32.78 | 235,490 | \$ 32.69 |
| | <u>2,669,494</u> | 6.0 | \$ 23.78 | <u>1,352,934</u> | \$ 22.24 |

As of April 30, 2008, there were 2,570,752 outstanding stock options vested or expected to vest (the awards, net of estimated forfeitures, for which compensation cost is being recognized) which had a weighted average exercise price of \$23.72, aggregate intrinsic value of \$0.4 million and an average remaining contractual life of 5.9 years. The aggregate intrinsic value discussed in this paragraph represents the total pre-tax intrinsic value based on the Company's stock price as of April 30, 2008, which would have been received by the option holders had all in-the-money option holders exercised their options as of that date.

The following table summarizes information about unvested stock option activity for fiscal 2008:

| | Number of Stock Options | Weighted Average Grant Date Fair Value Per Share |
|-------------------------------|----------------------------|---|
| Unvested as of April 30, 2007 | 1,642,519 | \$ 8.02 |
| Granted | 920,618 | \$ 7.64 |
| Vested | (993,406) | \$ 6.76 |
| Forfeited | (253,171) | \$ 8.42 |
| Unvested as of April 30, 2008 | <u>1,316,560</u> | \$ 8.63 |

As of April 30, 2008, there was \$7.3 million of total unrecognized compensation cost related to unvested stock options, which is expected to be recognized over a weighted average period of 3.3 years. The total fair value of stock options vested in fiscal 2008, fiscal 2007 and fiscal 2006 was \$6.7 million, \$2.8 million and \$1.5 million, respectively.

Shares of Restricted Stock

In October 2007, the Company granted 22,651 shares of restricted stock to certain key employees. Compensation expense related to the fair value of these awards is recognized on a straight-line basis over the requisite service period based on those restricted stock grants that are expected to ultimately vest. The fair value was measured by the NYSE closing price of the Company's common stock on the date of grant. One third of the shares of restricted stock will vest on each of the first three anniversaries of the date of grant, subject to continued employment on the vesting date. In fiscal 2008, the Company incurred stock-based compensation expense of \$0.1 million in connection with the vesting of the restricted stock. As of April 30, 2008, there was \$0.5 million of total unrecognized compensation cost related to unvested restricted stock, which is expected to be recognized over a weighted average period of 2.4 years.

Table of Contents***Restricted Stock Units***

The Company incurred stock-based compensation expense of \$0.3 million in each of fiscal 2008, fiscal 2007 and fiscal 2006, respectively, in connection with the issuance of fully vested and non-forfeitable restricted stock units ("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 2008, the Company granted 17,381 RSUs at an average grant price of \$21.99 resulting in 63,229 RSUs outstanding as of April 30, 2008 with a weighted average grant price of \$22.74.

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, 2008.

Share Repurchases

In fiscal 2008, the Company repurchased 3,486,946 shares of its common stock totaling \$99.0 million under the current \$200.0 million multi-year share repurchase program. As of April 30, 2008, the Company had repurchased 5,581,535 shares of its common stock totaling \$166.3 million under its \$200.0 million multi-year share repurchase program and had \$33.7 million remaining available under this program.

In fiscal 2007, the Company repurchased 4,415,348 shares of its common stock totaling \$142.3 million under the \$200.0 million multi-year and previous repurchase programs. In fiscal 2006, the Company repurchased 2,538,197 shares of its common stock totaling \$61.3 million under previous share repurchase programs.

Since fiscal 2006, the Company has repurchased 10,440,491 shares of its common stock totaling \$302.7 million under the \$200.0 million multi-year and previous 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, 2008.

14. INCENTIVE PLANS***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 to the plan was \$1.5 million, \$1.4 million and \$1.3 million in fiscal 2008, fiscal 2007 and fiscal 2006, respectively.

Nonqualified Deferred Compensation Plan

A select group of management may participate in the Company's Nonqualified Deferred Compensation Plan which allows participants to defer up to 100% of their annual performance bonus. The Company matches the participant's contribution ranging up to 8% of the participant's annual performance bonus. The charge for the Company's matching contribution to the plan was \$0.04 million, \$0.1 million and \$0.4 million in fiscal 2008, fiscal 2007 and fiscal 2006, respectively. Contributions are maintained in a separate irrevocable trust. As of April 30, 2008 and 2007, the Company had recorded a deferred compensation liability of \$1.6 million as of both respective year-ends. The investments held in the trust were \$1.6 million as of both April 30, 2008 and 2007, respectively, and are recorded at their fair value, based on quoted market prices.

Table of Contents**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.

The provision for income taxes consists of the following:

| | Fiscal Year Ended April 30, | | |
|---|-----------------------------|-----------------|-----------------|
| | 2008 | 2007 | 2006 |
| | (In thousands) | | |
| Current | \$18,800 | \$35,672 | \$34,647 |
| Federal | 3,333 | 6,365 | 7,183 |
| State | 22,133 | 42,037 | 41,830 |
| Total current tax provision | | | |
| Deferred | (329) | 88 | (2,226) |
| Federal | (78) | 21 | (1,080) |
| State | (407) | 109 | (3,306) |
| Total deferred tax provision | | | |
| Total provision for income taxes | \$21,726 | \$42,146 | \$38,524 |

Deferred income tax assets and liabilities consist of:

| | As of April 30, | |
|--|-----------------|-----------------|
| | 2008 | 2007 |
| | (In thousands) | |
| Current deferred income tax assets | \$ 3,818 | \$ 5,140 |
| Accrued liabilities and deferred revenues | 545 | 858 |
| Provision for doubtful accounts | 4,363 | 5,998 |
| Total current deferred income tax assets | | |
| Current deferred income tax liabilities | 4,163 | 4,065 |
| Prepaid expenses | 4,163 | 4,065 |
| Total current deferred income tax liabilities | | |
| Current net deferred income tax asset | \$ 200 | \$ 1,933 |
| Non-current deferred income tax assets | \$ 3,900 | \$ 4,547 |
| Accrued liabilities and deferred revenues | 5,556 | 3,431 |
| Stock-based compensation | 332 | 354 |
| Provision for doubtful accounts | 1,537 | — |
| Derivative instruments | 1,112 | 1,112 |
| Net operating loss carryforwards | (1,112) | (1,112) |
| Valuation allowance | 11,325 | 8,332 |
| Total non-current deferred income tax assets | | |
| Non-current deferred income tax liabilities | 35,933 | 36,697 |
| Depreciation and amortization | 2,690 | 2,609 |
| Prepaid expenses | — | 232 |
| Derivative instruments | 38,623 | 39,538 |
| Total non-current deferred income tax liabilities | | |
| Non-current net deferred income tax liability | \$27,298 | \$31,206 |

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The valuation allowance of \$1.1 million as of April 30, 2008 relates to deferred tax assets for state net operating loss carryforwards that were acquired in connection with the Company's 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 Company's acquisition of TSA.

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

| | Fiscal Year Ended April 30, | | |
|---|-----------------------------|--------------|--------------|
| | 2008 | 2007 | 2006 |
| Federal statutory rate | 35.0% | 35.0% | 35.0% |
| State and local income taxes, net of federal tax benefits | 3.9 | 3.9 | 4.1 |
| Other | 1.2 | 0.3 | 0.8 |
| Company's effective income tax rate | <u>40.1%</u> | <u>39.2%</u> | <u>39.9%</u> |

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.

In July 2006, the FASB issued Interpretation No. 48 "Accounting for Uncertainty in Income Taxes-An Interpretation of FASB Statement No. 109," ("FIN 48"), which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties.

The Company adopted the provisions of FIN 48 on May 1, 2007. Upon the adoption of FIN 48, the Company had no cumulative effect adjustment to retained earnings and no liability for unrecognized tax benefits. As of and for the year ended April 30, 2008, the Company had no liability for unrecognized tax benefits nor any interest or penalties recognized related to unrecognized tax benefits. The Company does not expect any significant changes to the total amount of unrecognized tax benefits within twelve months of the current reporting date. In accordance with its policy, the Company recognizes any interest and penalties related to uncertain tax positions as a component of income tax expense.

The Company is subject to United States federal income tax, as well as income tax in multiple state and local jurisdictions. The Company is no longer subject to United States federal income tax examinations for all years through calendar 2002. The Company's income tax returns for calendar 2003 and 2004 are currently under examination by the Internal Revenue Service as part of the audit of Cendant, and separately under audit for

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calendar years 2005 and 2006. With only a few exceptions, all state and local income tax examination matters have been concluded through calendar 2003. The Company does not anticipate any material adjustments from any ongoing examinations.

16. FINANCIAL INSTRUMENTS***Credit Risk and Exposure***

The Company invests its excess cash in deposits with high quality institutions. As of April 30, 2008, 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, 2008, 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 collectability 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 from SBB&T and Republic were \$1.3 million and \$0.6 million, respectively, as of April 30, 2008. The Company considers each of these financial institutions 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, 2008.

Fair Value

The estimated fair value of cash and cash equivalents, accounts receivable, notes 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 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. As of April 30, 2008, the estimated fair value of long-term debt approximated its carrying amount as the interest rate, excluding the \$100.0 million of hedged borrowings, was variable.

Table of Contents**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 recognize marketing and advertising expenses equal to 6% of tax preparation revenues. Franchise operations typically recognize marketing and advertising expenses equal to or greater than 6% of total revenues earned by franchisees. Company-owned office operations also recognizes regional and local marketing and advertising expenses.

| | Franchise Operations | Company-Owned Office Operations (In thousands) | Corporate and Other(a) | Total |
|---|-------------------------|---|---------------------------|-----------|
| <i>Fiscal year ended April 30, 2008</i> | | | | |
| Total revenues | \$191,973 | \$ 86,532 | \$ — | \$278,505 |
| Expenses: | | | | |
| Cost of operations | 35,383 | 65,886 | — | 101,269 |
| Marketing and advertising | 40,464 | 7,924 | — | 48,388 |
| Selling, general and administrative | 3,776 | 3,834 | 41,285 | 48,895 |
| Depreciation and amortization | 9,791 | 3,442 | — | 13,233 |
| Total expenses | 89,414 | 81,086 | 41,285 | 211,785 |
| Income (loss) from operations | \$102,559 | \$ 5,446 | \$ (41,285) | \$ 66,720 |
| Income (loss) before income taxes | \$104,004 | \$ 5,446 | \$ (55,297) | \$ 54,153 |
| Total assets | \$510,056 | \$ 89,251 | \$ 758 | \$600,065 |
| Capital expenditures | \$ 3,226 | \$ 3,215 | \$ — | \$ 6,441 |
| | | | | |
| | Franchise Operations | Company-Owned Office Operations (In thousands) | Corporate and Other(a) | Total |
| <i>Fiscal year ended April 30, 2007</i> | | | | |
| 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 |

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| | <u>Franchise Operations</u> | <u>Company-Owned Office Operations</u> (In thousands) | <u>Corporate and Other(a)</u> | <u>Total</u> |
|--|---------------------------------|--|-----------------------------------|------------------|
| <i>Fiscal year ended April 30, 2006</i> | | | | |
| Total revenues | <u>\$203,881</u> | <u>\$ 71,529</u> | <u>\$ —</u> | <u>\$275,410</u> |
| 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 | <u>78,024</u> | <u>59,715</u> | <u>32,652</u> | <u>170,391</u> |
| Income (loss) from operations | <u>\$125,857</u> | <u>\$ 11,814</u> | <u>\$ (32,652)</u> | <u>\$105,019</u> |
| Income (loss) before income taxes | <u>\$126,978</u> | <u>\$ 12,334</u> | <u>\$ (42,827)</u> | <u>\$ 96,485</u> |
| Total assets | <u>\$510,054</u> | <u>\$ 77,460</u> | <u>\$ 568</u> | <u>\$588,082</u> |
| Capital expenditures | <u>\$ 8,170</u> | <u>\$ 2,544</u> | <u>\$ —</u> | <u>\$ 10,714</u> |

- (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 in connection with agreements with SBB&T, HSBC and Republic (in aggregate) represented approximately 32%, 32% and 35% of revenues included in the Franchise Operations segment in fiscal 2008, fiscal 2007 and fiscal 2006, 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:

| <u>Fiscal Year</u> | <u>Amount</u> (In thousands) |
|---------------------|---------------------------------|
| 2009 | \$ 10,519 |
| 2010 | 11,407 |
| 2011 | 7,051 |
| 2012 | 3,441 |
| 2013 | 1,731 |
| 2014 and thereafter | 925 |
| Total | <u>\$ 35,074</u> |

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 and related expenses were \$17.1 million, \$12.5 million and \$11.9 million in fiscal 2008, fiscal 2007 and fiscal 2006, respectively.

Table of Contents***Guarantees***

As of April 30, 2008, the Company had outstanding a \$0.5 million irrevocable letter of credit under the Amended and Restated \$450 Million Credit Facility. The requirement to maintain this irrevocable letter of credit subsequently terminated in May 2008 as provided under the Company's lease agreement for its corporate headquarters in Parsippany, New Jersey.

The Company is required to provide various types of surety bonds, such as tax return 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 \$1.9 million as of April 30, 2008. 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 in certain circumstances the Company to pay penalties and interest assessed by a taxing authority. The Company has a liability of \$0.1 million as of April 30, 2008 and April 30, 2007, respectively, for the fair value of the obligation undertaken in issuing the guarantee. Such liabilities were included in accounts payable and accrued liabilities on the Consolidated Balance Sheets. 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. See "Note 15 – Income Taxes" for additional information.

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 had not been any indemnification claims against the Company under these arrangements prior to 2008, there can be no assurance that the Company will not be obligated to make payments in the future. Certain of our franchisees have filed purported class action lawsuits against SBB&T and HSBC relating to the terms of the contracts between the franchisees and the financial product providers and the manner in which financial products are facilitated. SBB&T and HSBC have submitted indemnification claims to the Company in regards to these lawsuits.

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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 Congress of California Seniors was subsequently removed as a plaintiff. A class certification hearing has been scheduled for November 12, 2008. The case is in its discovery and pretrial stage. 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. 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 alleged breach of West Virginia's Credit Service Organization Act, for alleged breach of contract, and for alleged 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. On November 6, 2007, the Court partially granted the Company's motion to dismiss. On November 21, 2007, the Company answered the complaint. On March 13, 2008, the Court granted the Company's partial motion for summary judgment on plaintiff's breach of contract claim. The case is in its discovery and pretrial 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. The complaint, which was subsequently amended, was brought 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 Illinois Consumer Fraud and Deceptive Practices Act, and the Racketeering and Corrupt Organizations Act, and alleging unjust enrichment and breach of contract, 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, Basic Guarantee and Gold Guarantee coverage and denial of Gold Guarantee claims. On August 1, 2007, the Company filed a motion to dismiss which, on September 5, 2007, was denied without prejudice to permit the plaintiff to further amend the complaint. On October 5, 2007, plaintiff filed a second amended complaint to add additional parties. On November 20, 2007, Company filed a motion to dismiss the second amended complaint. On March 25, 2008, the Court dismissed all claims. On April 11, 2008, plaintiff filed a motion for leave to file a third amended complaint. The Company opposed that motion. On June 19, 2008, the Court denied plaintiff's motion, and permitted the plaintiff to file a fourth amended complaint consistent with the Court's March 25, 2008 decision. The Company believes it has meritorious defenses and is contesting this matter vigorously.

On January 17, 2008, an attorney with the New York State Division of Human Rights (the "Division") filed with the Division a Division-initiated administrative complaint against the Company for allegedly marketing loan

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products to individuals in New York based on their race and military status in violation of New York State's Human Rights Law, and seeking injunctive and other relief. On February 19, 2008, the Company filed a response to the complaint with the Division. On March 11, 2008, the Division filed its rebuttal to the Company's response. The Division is undertaking an investigation to determine whether to commence an administrative hearing. The Company believes it has meritorious defenses and is contesting this matter vigorously in the investigative process and in any administrative hearing that will occur in the Division.

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 is likely to have a material adverse effect on its 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, 2008. In the Company's opinion, this information has been presented on the same basis as the audited Consolidated Financial Statements beginning on page 48 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 2008 Quarter Ended | | | |
|-------------------------------|--|---------------------|--------------------------------|-------------------------|
| | April 30, 2008 | January 31, 2008 | October 31, 2007(2),(3),(4) | July 31, 2007(2),(3) |
| | (In thousands, except per share amounts) | | | |
| Revenues | \$169,429 | \$ 97,555 | \$ 5,601 | \$ 5,920 |
| Income (loss) from operations | \$ 98,148 | \$ 34,212 | \$ (35,814) | \$ (29,826) |
| Net income (loss) | \$ 57,459 | \$ 18,247 | \$ (23,674) | \$ (19,605) |
| Earnings (loss) per share: | | | | |
| Basic | \$ 2.02 | \$ 0.61 | \$ (0.78) | \$ (0.65) |
| Diluted | \$ 2.02 | \$ 0.61 | \$ (0.78) | \$ (0.65) |

| | Fiscal Year 2007 Quarter Ended | | | |
|-------------------------------|--|------------------------|---------------------|------------------|
| | April 30, 2007(2) | January 31, 2007(1) | 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) |

(1) The Company incurred litigation related expenses of \$1.9 million in the three months ended January 31, 2007.

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- (2) The Company incurred Internal Review expenses of \$2.2 million, \$3.4 million and \$0.5 million in the three months ended October 31, 2007, July 31, 2007 and April 30, 2007, respectively.
- (3) The Company incurred management severance expense of \$5.7 million in the three months ended October 31, 2007, primarily related to the departure of our former Chief Executive Officer. The Company incurred severance expense of \$0.7 million in the three months ended July 31, 2007.

The accumulation of four quarters in fiscal years 2008 and 2007 for earnings (loss) per share may not equal the related per share amounts for the years ended April 30, 2008 and 2007 due to the timing of the exercise of stock options and the antidilutive effect of stock options.

20. SUBSEQUENT EVENT

Declaration of Dividend

On June 3, 2008, the Company's Board of Directors declared a quarterly cash dividend of \$0.18 per share of common stock, payable on July 15, 2008, to common stockholders of record on June 30, 2008. Based on the Company's current share count, the total dividends to be paid is approximately \$5.1 million.

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

| | Fiscal Year Ended April 30, | | |
|--|-----------------------------|-----------------|-----------------|
| | 2008 | 2007 | 2006 |
| | (in thousands) | | |
| Valuation and Qualifying Accounts | | | |
| Allowance for Doubtful Accounts(1): | | | |
| Balance at beginning of fiscal year | \$ 3,029 | \$ 4,057 | \$ 4,715 |
| Charged to expenses, net | 5,395 | 2,533 | 2,470 |
| Deductions | (6,230) | (3,561) | (3,128) |
| Balance at end of fiscal year | <u>\$ 2,194</u> | <u>\$ 3,029</u> | <u>\$ 4,057</u> |
| 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 | <u>\$ 1,112</u> | <u>\$ 1,112</u> | <u>\$ 1,112</u> |

- (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.

Under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Exchange Act Rule 13a-15(e). Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this annual report.

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

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our management assessed the effectiveness of our internal control over financial reporting as of April 30, 2008. In making this assessment, management used the criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, our management believes that, as of April 30, 2008, our internal control over financial reporting is effective. Our independent registered public accounting firm has issued an attestation report on the Company's internal control over financial reporting. Their report is included herein.

(c) Changes in Internal Control over Financial Reporting.

During the fourth quarter of fiscal 2008, 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.

Table of Contents**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 shares of restricted stock and RSUs under all of our existing equity compensation plans as of April 30, 2008.

| <u>Plan Category</u> | <u>Number of Securities to be Issued Upon Exercise of Outstanding Stock Options and in Connection with Outstanding RSUs(1)</u> | <u>Weighted-Average Exercise Price of Outstanding Stock Options (\$)</u> | <u>Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in First Column)</u> |
|---|--|--|--|
| Equity compensation plans approved by our stockholders(2) | <u>2,732,723</u> | <u>\$ 23.78</u> | <u>2,400,046</u> |

- (1) Excludes 1,367,231 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, shares of 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 38 of this Report.
- (2) **Financial Statement Schedule.** Financial Statement Schedule II is found on page 66 of this Report.
- (3) **Exhibits.** The list of exhibits set forth on the Exhibit Index is incorporated herein by reference.

Table of Contents**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 30, 2008.

JACKSON HEWITT TAX SERVICE INC.

By: /s/ MICHAEL C. YERINGTON
Michael C. Yerington
Chief Executive Officer
(Principal Executive Officer)

By: /s/ DANIEL P. O'BRIEN
Daniel P. O'Brien
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 30, 2008.

| <u>Signature</u> | <u>Title</u> |
|---|--|
| <u>/s/ MICHAEL C. YERINGTON</u> Michael C. Yerington | Chairman and Chief Executive Officer (Principal Executive Officer) |
| <u>/s/ DANIEL P. O'BRIEN</u> Daniel P. O'Brien | Executive Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer) |
| <u>/s/ ULYSSES L. BRIDGEMAN, JR.</u> Ulysses L. Bridgeman, Jr. | Director |
| <u>/s/ RODMAN L. DRAKE</u> Rodman L. Drake | Director |
| <u>/s/ MARGARET MILNER RICHARDSON</u> Margaret Milner Richardson | Director |
| <u>/s/ LOUIS P. SALVATORE</u> Louis P. Salvatore | Director |
| <u>/s/ JAMES C. SPIRA</u> James C. Spira | Director |

Table of Contents**Exhibit Index**

| <u>Exhibit No.</u> | <u>Description of Document</u> |
|--------------------|---|
| 2.1** | Asset Purchase Agreement, dated September 27, 2007, by and among Tax Services of America, Inc., Smart Tax of Georgia Inc., and each of the shareholders of Smart Tax of Georgia, Inc., filed as Exhibit 2.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended October 31, 2007, file number 1-32215, is incorporated herein by reference. |
| 2.2** | Asset Purchase Agreement, dated September 27, 2007, by and among Tax Services of America, Inc., Smart Tax, Inc., and each of the shareholders of Smart Tax, Inc., filed as Exhibit 2.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended October 31, 2007, file number 1-32215, is incorporated herein by reference. |
| 2.3** | Asset Purchase Agreement, dated September 27, 2007, by and among Tax Services of America, Inc., Sofar, Inc., and each of the shareholders of Sofar, Inc., filed as Exhibit 2.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended October 31, 2007, file number 1-32215, is incorporated herein by reference. |
| 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 December 4, 2007, filed as Exhibit 3.1 to the Company's Current Report on Form 10-Q for the quarter ended October 31, 2007, 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 Quarterly Report on Form 10-Q for the quarter ended October 31, 2007, 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 | 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. |

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| <u>Exhibit No.</u> | <u>Description of Document</u> |
|--------------------|---|
| 10.7 | 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. |
| 10.8* | 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. |
| 10.9* | 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. |
| 10.10* | 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. |
| 10.11 | 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. |
| 10.12* | Form of Executive Officer Stock Option Agreement under the Jackson Hewitt Tax Service Inc. Amended and Restated 2004 Equity and Incentive Plan, filed as Exhibit 10.21 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** | Program Agreement, dated September 19, 2007, between Jackson Hewitt Inc. and Republic Bank & Trust Company, filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended October 31, 2007, file number 1-32215, is incorporated herein by reference. |
| 10.14** | Technology Services Agreement, dated September 19, 2007, between Jackson Hewitt Technology Services LLC and Republic Bank & Trust Company, filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended October 31, 2007, file number 1-32215, is incorporated herein by reference. |
| 10.15** | Amended and Restated Program Agreement, dated September 21, 2007, between Jackson Hewitt Inc. and Santa Barbara Bank & Trust, filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended October 31, 2007, file number 1-32215, is incorporated herein by reference. |
| 10.16** | Amended and Restated Technology Services Agreement, dated September 21, 2007, between Jackson Hewitt Technology Services LLC and Santa Barbara Bank & Trust, filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended October 31, 2007, file number 1-32215, is incorporated herein by reference. |
| 10.17** | Amended and Restated Program Agreement, dated October 8, 2007, between Jackson Hewitt Inc. and HSBC Taxpayer Financial Services Inc. and Beneficial Franchise Company, Inc., filed as Exhibit 10.8 to the Company's Quarterly Report on Form 10-Q for the quarter ended October 31, 2007, file number 1-32215, is incorporated herein by reference. |

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| <u>Exhibit No.</u> | <u>Description of Document</u> |
|--------------------|---|
| 10.18** | Amended and Restated Technology Services Agreement, dated October 8, 2007, between Jackson Hewitt Technology Services LLC and HSBC Taxpayer Financial Services Inc., filed as Exhibit 10.9 to the Company's Quarterly Report on Form 10-Q for the quarter ended October 31, 2007, file number 1-32215, is incorporated herein by reference. |
| 10.19* | Form of Executive Officer Restricted Stock Award Agreement under the Jackson Hewitt Tax Service Inc. Amended and Restated 2004 Equity and Incentive Plan, filed as Exhibit 10.10 to the Company's Quarterly Report on Form 10-Q for the quarter ended October 31, 2007, file number 1-32215, is incorporated herein by reference. |
| 10.20* | Separation Agreement and General Release, dated October 18, 2007, by and between Jackson Hewitt Tax Service Inc. and Michael D. Lister, filed as Exhibit 10.11 to the Company's Quarterly Report on Form 10-Q for the quarter ended October 31, 2007, file number 1-32215, is incorporated herein by reference. |
| 10.21 | First Amendment to Amended and Restated Credit Agreement, dated October 31, 2007, 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, and JPMorgan Chase Bank, N.A. and PNC Bank, National Association, as co- Documentation Agents, filed as Exhibit 10.12 to the Company's Quarterly Report on Form 10-Q for the quarter ended October 31, 2007, file number 1-32215, is incorporated herein by reference. |
| 10.22 | Amended and Restated Employment Agreement between Jackson Hewitt Tax Service Inc. and Michael C. Yerington, effective as of December 4, 2007, filed as Exhibit 10.10 to the Company's Quarterly Report on Form 10-Q for the quarter ended October 31, 2007, file number 1-32215, is incorporated herein by reference. |
| 10.23 | Amended and Restated Employment Agreement between Jackson Hewitt Tax Service Inc. and Mark L. Heimbouch, effective as of December 4, 2007, filed as Exhibit 10.11 to the Company's Quarterly Report on Form 10-Q for the quarter ended October 31, 2007, file number 1-32215, is incorporated herein by reference. |
| 10.24 | Second Amendment to Amended and Restated Credit Agreement, dated May 21, 2008, 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, and JPMorgan Chase Bank, N.A. and PNC Bank, National Association, as co- Documentation Agents. |
| 10.25 | Kiosk License Agreement, dated June 23, 2008, between Wal-Mart Stores East, LP, Wal-Mart Stores, Inc., Wal-Mart Louisiana, LLC, and Wal-Mart Stores Texas, LLC and Jackson Hewitt Inc. |
| 10.26* | Form of Stock Option Agreement under the Jackson Hewitt Tax Service Inc. Amended and Restated Equity and Incentive Plan. |
| 10.27* | Form of Stock Option Agreement under the Jackson Hewitt Tax Service Inc. Amended and Restated Equity and Incentive Plan. |
| 10.28* | Form of Restricted Stock Award Agreement under the Jackson Hewitt Tax Service Inc. Amended and Restated Equity and Incentive Plan. |
| 10.29* | Form of Restricted Stock Award Agreement under the Jackson Hewitt Tax Service Inc. Amended and Restated Equity and Incentive Plan. |
| 21.1 | Subsidiaries of the Registrant. |
| 23.1 | Consent of Deloitte & Touche LLP. |

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| <u>Exhibit No.</u> | <u>Description of Document</u> |
|---------------------------|--|
| 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.