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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited management's assessment that Jackson Hewitt Tax Service Inc. and subsidiaries (the "Company") maintained effective internal control over financial reporting as of April 30, 2006, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

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

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

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

Pinero v. Jackson Hewitt Tax Service Inc. et al

In our opinion, management's assessment that the Company maintained effective internal control over financial reporting as of April 30, 2006, is fairly stated, in all material respects, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of April 30, 2006, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Doc. 77 Att. 6

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended April 30, 2006 of the Company and our report dated July 14, 2006 expressed an unqualified opinion on those financial statements and financial statement schedule.

/s/ DELOITTE & TOUCHE LLP
Parsippany, New Jersey
July 14, 2006

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

	As of April 30,	
	2006	2005
ASSETS		
Current assets:		
Cash and cash equivalents	$ 15,150	$113,264
Accounts receivable (net of allowance for doubtful accounts of $1,168 and $1,840, respectively)	20,184	15,187
Notes receivable, net	4,830	3,156
Prepaid expenses and other	8,755	7,542
Deferred income taxes	4,583	3,446
Total current assets	53,502	142,595
Property and equipment, net	35,808	33,942
Goodwill	392,700	392,691
Other intangible assets, net	86,085	87,634
Notes receivable, net	3,453	2,765
Other non-current assets, net	16,534	15,462
Total assets	$588,082	$675,089
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 44,001	$ 27,581
Income taxes payable	47,974	21,339
Deferred revenues	9,304	7,834
Total current liabilities	101,279	56,754
Long-term debt	50,000	175,000
Deferred income taxes	36,526	36,005
Other non-current liabilities	12,354	11,093
Total liabilities	200,159	278,852
Commitments and Contingencies (Note 19)		
Stockholders' equity:		
Common stock, par value $0.01; Authorized 200,000,000 shares; Issued: 37,843,898 and 37,634,327 shares, respectively	378	376
Additional paid-in capital	350,526	344,908
Retained earnings	97,413	50,953
Accumulated other comprehensive income	933	—
Less: Treasury stock, at cost: 2,538,197 and zero shares, respectively	(61,327)	—
Total stockholders' equity	387,923	396,237
Total liabilities and stockholders' equity	$588,082	$675,089

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,		
	2006	2005	2004
Revenues			
Franchise operations revenues:			
Royalty	$ 76,234	$ 59,360	$ 51,646
Marketing and advertising	34,685	27,416	24,213
Financial product fees	74,458	35,990	30,384
Other financial product revenues	5,518	33,934	30,255
Other	12,986	12,766	12,527
Service revenues from company-owned office operations	71,529	63,021	56,590
Total revenues	275,410	232,487	205,615
Expenses			
Cost of franchise operations	31,179	27,426	21,921
Marketing and advertising	40,977	32,966	29,464
Cost of company-owned office operations	47,084	42,928	41,639
Selling, general and administrative	39,723	30,397	30,500
Depreciation and amortization	11,428	11,398	11,911
Total expenses	170,391	145,115	135,435
Income from operations	105,019	87,372	70,180
Other income/(expense):			
Interest income	1,924	1,484	657
Interest expense	(8,301)	(6,700)	(373)
Write-off of deferred financing costs	(2,677)	—	—
Gain on sale of assets, net	520	—	—
Income before income taxes	96,485	82,156	70,464
Provision for income taxes	38,524	32,205	27,504
Net income	$ 57,961	$ 49,951	$ 42,960
Earnings per share:			
Basic	$ 1.61	$ 1.33	$ 1.15
Diluted	$ 1.59	$ 1.32	$ 1.15
Dividends declared per share:			
Basic	$ 0.32	$ 0.21	—
Diluted	$ 0.32	$ 0.21	—
Weighted average shares outstanding:			
Basic	36,061	37,615	37,500
Diluted	36,445	37,752	37,500

See Notes to Consolidated Financial Statements.

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

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total Stockholders' Equity
	Shares	Amount					
Balance, May 1, 2003	37,500	$ 375	$ 475,844	$ 135,917	$ —	$ —	$ 612,136
Net income	—	—	—	42,960	—	—	42,960
Balance, April 30, 2004	37,500	375	475,844	178,877	—	—	655,096
Issuance of shares of common stock to employees upon exercise of stock options	33	—	419	—	—	—	419
Issuance of vested stock options to employees in exchange for their Cendant stock options	—	—	1,865	—	—	—	1,865
Issuance of shares of common stock to employees in exchange for their Cendant restricted stock units ("RSUs")	101	1	1,743	—	—	—	1,744
Issuance of stock options to employees	—	—	1,389	—	—	—	1,389
Issuance of JHTS RSUs	—	—	455	—	—	—	455
Tax benefit from exercise of stock options	—	—	70	—	—	—	70
Special Dividend paid to Cendant (Note 10)	—	—	(131,613)	(175,239)	—	—	(306,852)
Dividends paid to stockholders	—	—	(5,266)	(2,634)	—	—	(7,900)
Dividends on RSUs	—	—	2	(2)	—	—	—
Net income	—	—	—	49,951	—	—	49,951
Balance, April 30, 2005	37,634	376	344,908	50,953	—	—	396,237
Issuance of shares of common stock to employees	210	2	3,187	—	—	—	3,189
Common stock repurchases	(2,538)	—	—	—	—	(61,327)	(61,327)
Issuance of stock options to employees	—	—	2,532	—	—	—	2,532
Issuance of JHTS RSUs	—	—	276	—	—	—	276
Tax benefit from exercise of stock options	—	—	2,305	—	—	—	2,305
Dividends paid to stockholders	—	—	—	(11,492)	—	—	(11,492)
Dividends on RSUs	—	—	9	(9)	—	—	—
Change in fair value of derivatives, net of tax of $622	—	—	—	—	933	—	933
Adjustment to Special Dividend—completion of final tax return (Note 16)	—	—	(2,691)	—	—	—	(2,691)
Net income	—	—	—	57,961	—	—	57,961
Balance, April 30, 2006	35,306	$ 378	$ 350,526	$ 97,413	$ 933	$(61,327)	$ 387,923

See Notes to Consolidated Financial Statements.

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

	Fiscal Year Ended April 30,		
	2006	2005	2004
Operating Activities:			
Net income	$ 57,961	$ 49,951	$ 42,960
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	11,428	11,398	11,911
Gain on sale of assets, net	(520)	—	—
Amortization of Gold Guarantee® product	(2,296)	(1,576)	(844)
Amortization of development advances	1,190	1,190	840
Amortization of deferred financing costs	225	553	—
Write-off of deferred financing costs	2,677	—	—
Provision for uncollectible receivables	2,840	3,081	2,802
Stock-based compensation	2,808	6,352	—
Decrease of bad debt reserve	(370)	—	(2,001)
Litigation related costs	3,800	—	10,410
Deferred income taxes	(3,306)	11,298	4,964
Other	10	5	2
Changes in assets and liabilities, excluding the impact of acquisitions:			
Accounts receivable	(7,453)	12,371	(12,849)
Notes receivable	137	(90)	548
Prepaid expenses and other	1,044	(3,032)	(2,466)
Other non-current assets	(7,550)	(4,847)	(3,141)
Accounts payable and accrued liabilities	13,192	3,065	2,101
Income taxes payable	28,273	19,866	1,473
Deferred revenues	10,709	9,206	7,832
Other non-current liabilities	549	(3,824)	(992)
Net cash provided by operating activities	115,348	114,967	63,550
Investing Activities:			
Capital expenditures	(10,714)	(4,919)	(3,965)
Funding provided to franchisees	(4,105)	(2,317)	(1,636)
Cash paid for acquisitions	(1,929)	(2,548)	(3,905)
Other	336	381	—
Net cash used in investing activities	(16,412)	(9,403)	(9,506)
Financing Activities:			
Common stock repurchases	(61,327)	—	—
Proceeds from issuance of $175 Million Notes	—	175,000	—
Cash portion of Special Dividend to Cendant	—	(175,000)	—
Repayment of $175 Million Notes	(175,000)	—	—
Borrowings under revolving credit facilities	210,000	20,000	—
Repayment of borrowings under revolving credit facilities	(160,000)	(20,000)	—
Proceeds from issuance of common stock	2,873	419	—
Dividends paid to stockholders	(11,492)	(7,900)	—
Debt issuance costs	(681)	(3,342)	—
Payments on capitalized lease obligation	(119)	(180)	—
Outstanding checks in excess of funds on deposit	(1,304)	1,304	—
Decrease/(increase) in Due from Cendant	—	12,133	(50,321)
Net cash (used in) provided by financing activities	(197,050)	2,434	(50,321)
Net (decrease) increase in cash and cash equivalents	(98,114)	107,998	3,723
Cash and cash equivalents, beginning of fiscal year	113,264	5,266	1,543
Cash and cash equivalents, end of fiscal year	$ 15,150	$ 113,264	$ 5,266
Supplemental disclosure of cash flow information:			
Cash paid for:			
Interest	$ 8,532	$ 4,972	$ 1
Income taxes	$ 13,509	$ 3,663	$ —

Supplemental disclosure for non-cash investing and financing transactions:			
Special Dividend—Distribution of Due from Cendant	$ —	$ 131,852	$ —
Adjustment to Special Dividend—completion of final tax return	$ 2,691	$ —	$ —
Tax benefit from exercise of stock options	$ 2,305	$ 70	$ —
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 tax offices operating under the brand name Jackson Hewitt Tax Service®. The Company provides its customers with convenient, fast and accurate tax return preparation services and electronic filing. In connection with their tax preparation experience, the Company's customers may select various financial products to suit their needs, including refund anticipation loans ("RALs"). "Jackson Hewitt," "JHTS" 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 Inc. ("JHI") is a 100% owned subsidiary of JHTS. 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 JHTS and its subsidiaries.

Initial Public Offering

On June 25, 2004, Cendant Corporation ("Cendant") divested 100% of its ownership interest in JHTS through an initial public offering ("IPO"). JHTS did not receive any proceeds from the sale of the Company's common stock by Cendant. In contemplation of the Company's IPO, JHTS declared a stock dividend, which increased the number of common shares outstanding from 100 to 37,500,000. Stockholder's equity has been adjusted retroactively for the effect of the stock dividend for all periods presented prior to the Company's separation from Cendant.

JHTS was incorporated in Delaware in February 2004. Simultaneous with the incorporation, Cendant contributed all outstanding shares of JHI, a Virginia corporation, to JHTS. JHTS accounted for the contribution of outstanding shares as a change in reporting entities under common control and recognized the outstanding shares at their carrying amounts at the date of transfer. Accordingly, the accompanying Consolidated Financial Statements have been prepared as though JHTS existed throughout the periods presented.

Basis of Presentation

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

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

The Company's results of operations and cash flows for the period from May 1, 2004 through the Company's IPO date, which are included in fiscal 2005, and the Company's results of operations and cash flows for the fiscal year ended April 30, 2004 reflect the historical results of operations and cash flows of the business divested by Cendant in the Company's IPO. As a result, the accompanying Consolidated Financial Statements may not necessarily reflect the Company's results of operations and cash flows in the future or what the Company's results of operations and cash flows would have been had JHTS been a stand-alone public company during these periods. See "Note 10—Related Party Transactions," for a more detailed description of the Company's transactions with Cendant.

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

Comprehensive Income

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

	Fiscal Year Ended April 30,		
	2006	2005	2004
		(In thousands)	
Net income	$57,961	$49,951	$42,960
Changes in fair value of derivatives	933	—	—
Total comprehensive income	$58,894	$49,951	$42,960

Reclassifications

Certain amounts presented in the prior years' consolidated financial statements have been reclassified to conform to the current year presentation.

2. RECENT ACCOUNTING PRONOUNCEMENT AND SIGNIFICANT ACCOUNTING POLICIES

Recent Accounting Pronouncement

In December 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 123R, "Share-Based Payment" ("SFAS No. 123R"), which eliminates the alternative to measure stock-based compensation awards using the intrinsic value approach permitted by Accounting Principles Board Opinion ("APB") No. 25, "Accounting for Stock Issued to Employees" and by SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123"). The Company adopted the provisions of SFAS No. 123R on May 1, 2006. On January 1, 2003, the Company had adopted the fair value method of accounting for stock-based compensation provisions of SFAS No. 123 and the transitional provisions of SFAS No. 148, "Accounting for Stock-Based Compensation—Transition and Disclosure." As a result, the Company has been recording stock-based compensation expense since January 1, 2003 for employee stock awards that were granted or modified subsequent to December 31, 2002. Prior to the Company's adoption of SFAS No. 123R, the Company's practice with respect to forfeitures was to recognize the related benefit upon forfeiture of the award. Beginning in the first quarter of fiscal 2007, the Company is required to recognize compensation expense net of estimated forfeitures upon the issuance of the award. The adoption of SFAS No. 123R is not expected to have a material effect on the Company's results of operations, financial position or cash flows.

Stock-Based Compensation

Effective with the Company's IPO, the Company adopted the 2004 Equity and Incentive Plan under which the Company's employees and selected others may be granted certain equity-based awards. As discussed more fully below, for all periods presented, the Company accounted for such stock-based compensation in accordance with the provisions of SFAS No. 123, as amended by SFAS No. 148.

Prior to the Company's IPO, Cendant common stock awards were granted to the Company's employees under Cendant's stock plans. Prior to January 1, 2003, the Company measured stock-based compensation using the intrinsic value approach under APB No. 25, as permitted by SFAS No. 123. Accordingly, the Company did not recognize stock-based compensation expense upon the issuance of stock options to the Company's employees because the option terms were fixed and the exercise price equaled the market price of the underlying common stock on the date of grant. Therefore, the Company was not allocated compensation expense upon Cendant's issuance of stock options to the Company's employees.

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JACKSON HEWITT TAX SERVICE INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

On January 1, 2003, the Company (in conjunction with Cendant's adoption) adopted the fair value method of accounting for stock-based compensation provisions of SFAS No. 123. The Company also adopted SFAS No. 148 in its entirety on January 1, 2003, which amended SFAS No. 123 to provide alternative methods of transition for voluntary change to the fair value based method of accounting. Subsequent to the adoption of SFAS No. 123, the Company expensed all employee stock awards over their vesting period, which is typically four years, based upon the fair value of the award on the date of grant. The fair value of stock options is estimated at the grant date using the Black-Scholes option-pricing model. As the Company elected to use the prospective transition method, Cendant allocated expense to the Company only for employee stock awards that were granted or modified subsequent to December 31, 2002.

The following table illustrates the effect on net income and earnings per share in fiscal 2004 as if the fair value based method had been applied to all employee stock awards granted by Cendant to the Company's employees.

(In thousands, except per share amounts)	Fiscal Year Ended April 30, 2004
Net income, as reported	$ 42,960
Add back: stock-based employee compensation expense allocated from Cendant and included in reported net income, net of related tax effects	301
Less: total stock-based employee compensation expense determined under the fair value based method for all awards, net of related tax effects	(702)
Net income, pro forma	$ 42,559
Earnings per share, as reported:	
Basic and diluted	$ 1.15
Earnings per share, pro forma:	
Basic and diluted	$ 1.13

There was no pro forma effect on net income and earnings per share in fiscals 2005 and 2006 as the Company applied the fair value based method of accounting to calculate stock-based compensation relating to all employee stock awards granted in those years, which included stock-based compensation of $1.9 million relating to the issuance to employees of vested JHTS stock options in exchange for their Cendant stock options in the first quarter of fiscal 2005. See "Note 14—Stock-Based Compensation and Retirement Benefits," for a more detailed description of the awards granted under the Company's 2004 Equity and Incentive Plan.

Derivatives and Hedging Activities

The Company has entered into interest rate swap 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 agreements have been recorded on the Consolidated Balance Sheet at their fair values. Changes in the fair values of the interest rate swap agreements (i.e., gains and losses resulting from these hedges), to the extent that they remain highly effective, are recorded in stockholder's equity as accumulated other comprehensive income (loss). The Company formally assesses (both at inception of the hedge and on an ongoing basis) whether the derivatives that are used in hedging transactions have been highly effective in offsetting changes in the cash flows of hedged items and whether those derivatives may be expected to remain highly effective in future periods. Any hedge ineffectiveness is reclassified from equity to earnings when impacted. See "Note 13—Interest Rate Swap Agreements" for a more detailed discussion of the Company's derivative transactions.

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

Consolidation Policy

The Consolidated Financial Statements include the accounts and transactions of JHTS and its subsidiaries. All intercompany transactions and balances have been eliminated.

In connection with its franchise agreements, the Company has provided some level of financial support to certain of its franchisees in the form of loans and/or development advances. 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 under the provisions of FASB Interpretation ("FIN") No. 46R, a complete replacement of FIN No. 46, "Consolidation of Variable Interest Entities," which the Company adopted as of December 31, 2003.

However, with respect to the franchisees for which financial support has been provided, the Company has determined that it has a significant variable interest. As of April 30, 2006, the amount outstanding related to financial support that the Company had provided to 416 franchisees in the form of loans and development advances was $18.0 million. As of April 30, 2006, the Company's maximum exposure to losses associated with such loans and advances was $15.1 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.

Cash and Cash Equivalents

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

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is computed utilizing the straight-line method over the estimated useful lives of the related assets. Amortization of leasehold improvements is computed utilizing the straight-line method over the estimated benefit period of the related assets or the lease term, if shorter. Useful lives generally range from 5 to 7 years for furniture, fixtures and equipment and from 2 to 15 years for leasehold improvements.

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JACKSON HEWITT TAX SERVICE INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

Certain costs of software developed or obtained for internal use are capitalized and amortized on a straight-line basis over three to ten years. These costs include payments made to third parties and the salaries of employees working on such software development. 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 $27.9 million and $29.1 million as of April 30, 2006 and 2005, respectively.

Revenue Recognition

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

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

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

Financial Product Fees: On February 24, 2006, the Company entered into program agreements with HSBC Taxpayer Financial Services Inc. ("HSBC") and Santa Barbara Bank & Trust ("SBB&T") a division of Pacific Capital Bank, N.A. Under the agreements, each financial institution has the right to offer, process and administer RALs, accelerated check requests ("ACRs") and assisted direct deposits ("ADDs") to customers of certain of the Company's franchised and company-owned offices. Additionally, the Company agreed to provide certain technology-related services to the financial institutions in support of the financial institutions' offering and administration of financial products. Each financial institution pays the Company a fixed annual fee as compensation for being granted access to the Company's customers and for receiving technology services, and the Company's provision of other related services, as well as a variable payment tied to growth in the programs. The Company recognizes the fixed component over the course of the tax season as financial products are provided and the variable component upon the attainment of certain contractual growth thresholds.

The agreements with the financial institutions were deemed effective for the entire tax season beginning on January 2, 2006. The agreements with HSBC will expire on October 31, 2007. The agreements with SBB&T will expire on October 31, 2008.

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

Additional financial products offered by the Company include the debit card and Gold Guarantee products. Revenues from the Gold Guarantee product are earned ratably over the product's 36-month life.

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

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

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

Additionally, through December 2004, the Company earned revenues with respect to RALs facilitated by SBB&T in prior years.

SBB&T in 2004 and HSBC in 2005 and 2004: Other financial product revenues represented revenues the Company earned equal to a portion (ranging from 59% to 100%) of the difference between net finance fees paid by customers to the financial institutions and loan amounts that the financial institutions are unable to collect. These revenues were in addition to the fixed fees recorded in financial product fees earned from the facilitation of RALs. The finance fee was calculated as a percentage of the total loan amount (subject to a minimum and maximum fee). The finance fees were maintained by the financial institutions as a reserve against uncollected loans. Other financial product revenues were recognized only to the extent that the reserves maintained by the lending financial institutions exceeded the uncollected loans made by these financial institutions at the end of each reporting period.

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

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

Advertising Expenses

Advertising costs are generally expensed in the period incurred. Advertising expenses, recorded within marketing and advertising expenses in the Company's Consolidated Statement of Operations, were $36.1 million, $26.6 million and $24.0 million in fiscals 2006, 2005 and 2004, respectively. In addition, the Company has accrued $4.1 million and $4.4 million as of April 30, 2006 and April 30, 2005, respectively, related to its constructive obligation for marketing and advertising fees collected in excess of costs incurred.

Rent Expense

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.

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JACKSON HEWITT TAX SERVICE INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

3. COMPUTATION OF EARNINGS PER SHARE

Basic earnings per share is calculated by dividing net income available to the Company's common stockholders by the weighted average number of common shares outstanding during the year. Diluted earnings per share is calculated by dividing net income available to the Company's common stockholders by an adjusted weighted average number of common shares outstanding during the year assuming conversion of potentially dilutive securities arising from stock options outstanding.

The following table presents the computation of basic and diluted earnings per share:

	Fiscal Year Ended April 30,		
	2006	2005	2004
Net income, basic and diluted (in thousands)	$57,961	$49,951	$42,960
Weighted average shares outstanding (in thousands):			
Basic	36,061	37,615	37,500
Diluted	36,445	37,752	37,500
Earnings per share:			
Basic	$ 1.61	$ 1.33	$ 1.15
Diluted	$ 1.59	$ 1.32	$ 1.15

Below is a reconciliation of dilutive weighted average shares outstanding (in thousands):

	Fiscal Year Ended April 30,		
	2006	2005	2004
Weighted average shares outstanding—basic	36,061	37,615	37,500
Dilutive stock options	384	137	—
Weighted average shares outstanding—diluted	36,445	37,752	37,500

In fiscal 2005, 12,000 stock options were excluded from the diluted earnings per common share calculation because the respective exercise prices were greater than the average market value of the underlying stock.

4. PROPERTY AND EQUIPMENT, NET

	As of April 30,	
	2006	2005
	(In thousands)	
Computer software	$ 48,921	$ 44,926
Furniture, fixtures and equipment	14,148	12,343
Leasehold improvements	6,942	4,751
Software under development	605	220
Construction in progress	571	—
	71,187	62,240
Less accumulated depreciation and amortization	(35,379)	(28,298)

	$ 35,808	$ 33,942

The Company did not have any property and equipment under a capital lease as of April 30, 2006. Property and equipment, gross, under capital lease as of April 30, 2005 amounted to $0.3 million. Accumulated

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JACKSON HEWITT TAX SERVICE INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

amortization in connection with property and equipment under capital lease as of April 30, 2005 amounted to $35,000. Depreciation expense was $8.9 million, $8.7 million and $8.8 million in fiscals 2006, 2005 and 2004, respectively.

5. GOODWILL AND OTHER INTANGIBLE ASSETS, NET

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

	Franchise Operations	Company-Owned Office Operations	Total
		(In thousands)	
Balance as of April 30, 2004	$336,767	$ 55,601	$392,368
Additions	—	677	677
Purchase price adjustments	—	(354)	(354)
Balance as of April 30, 2005	336,767	55,924	392,691
Additions	—	1,933	1,933
Dispositions(a)	—	(1,924)	(1,924)
Balance as of April 30, 2006	$336,767	$ 55,933	$392,700

(a) Associated with selected company-owned office operations in Texas and Massachusetts that were sold to existing franchisees.

Other intangible assets consist of:

	As of April 30, 2006			As of April 30, 2005		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
			(In thousands)			
Amortizable other intangible assets:						
Franchise agreements(b)	$16,052	$ (12,789)	$ 3,263	$16,052	$ (11,184)	$ 4,868
Customer relationships(c)	7,535	(5,713)	1,822	7,143	(5,377)	1,766
Total amortizable other intangible assets	$23,587	$ (18,502)	5,085	$23,195	$ (16,561)	6,634
Unamortizable other intangible assets:						
Jackson Hewitt trademark			81,000			81,000
Total other intangible assets, net			$86,085			$87,634

(b) Amortized over a period of 10 years.
(c) Amortized over a period of two to seven years.

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JACKSON HEWITT TAX SERVICE INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

	Franchise Operations	Company-Owned Office Operations	Total
		(In thousands)	
Balance as of April 30, 2004	$ 87,473	$ 2,429	$89,902
Additions	—	479	479
Amortization	(1,605)	(1,142)	(2,747)
Balance as of April 30, 2005	85,868	1,766	87,634
Additions	—	1,048	1,048
Dispositions(a)	—	(62)	(62)
Amortization	(1,605)	(930)	(2,535)
Balance as of April 30, 2006	$ 84,263	$ 1,822	$86,085

Amortization expense relating to all intangible assets was as follows:

	Fiscal Year Ended April 30,		
	2006	2005	2004
		(In thousands)	
Franchise agreements	$1,605	$1,605	$1,579
Customer relationships	930	1,142	1,577
Total	$2,535	$2,747	$3,156

The Company generally uses the double-declining balance method for amortizing intangible assets-customer relationships. In fiscal 2006, many of the Company's intangible assets-customer relationships entered the later years of their respective amortizable lives, which resulted in lower amortization.

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

	Amount
	(In thousands)
2007	$ 2,509
2008	1,522
2009	368
2010	263
2011	186
2012 and thereafter	237
Total	$ 5,085

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JACKSON HEWITT TAX SERVICE INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

6. FRANCHISE AND COMPANY-OWNED OFFICES IN OPERATION

	As of April 30,		
Offices:	2006	2005	2004
Franchise			
Beginning balance	4,871	4,330	3,776
Additions	816	814	973
Disposals	(336)	(273)	(419)
Purchases from company-owned, net	28	—	—
Ending balance	5,379	4,871	4,330
Company-owned			
Beginning balance	613	605	523
Additions	105	69	131
Disposals	(47)	(61)	(49)
Sales to franchise operations, net	(28)	—	—
Ending balance	643	613	605
Consolidated			
Beginning balance	5,484	4,935	4,299
Additions	921	883	1,104
Disposals	(383)	(334)	(468)
Ending balance	6,022	5,484	4,935

Initial franchise fees, excluding such fees for territory sales in fiscal 2006 to existing franchisees of selected company-owned office operations in Texas and Massachusetts, totaled $4.4 million, $5.4 million and $6.5 million for the years ended April 30, 2006, 2005 and 2004, respectively, and are included in other revenues in the Consolidated Statements of Operations.

7. NOTES RECEIVABLE, NET

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 collectibility based on the underlying franchisee's payment history, financial status and revenue base. The associated provision for uncollectible amounts is included within cost of franchise operations in the Consolidated Statements of Operations.

In addition, in fiscal 2006, the Company provided financing to franchisees for 108 storefront locations in loan amounts of up to $25,000. These notes are typically due over a period of less than 30 months.

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JACKSON HEWITT TAX SERVICE INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	As of April 30,	
	2006	2005
	(In thousands)	
Notes receivable	$10,173	$ 7,570
Less allowance for uncollectible amounts	(1,890)	(1,649)
Notes receivable, net	8,283	5,921
Less current portion, net	(4,830)	(3,156)
Notes receivable, net—non-current	$ 3,453	$ 2,765

8. DEVELOPMENT ADVANCES, NET

The Company maintains a program in which it provides funds to independent tax practices for the conversion of such operations to the Jackson Hewitt brand as franchisees and/or to provide funds to existing franchisees to assist in their business expansion through the acquisition of independent tax practices. These development advances are presented on the Consolidated Balance Sheets in the form of promissory notes that are typically forgivable over a ten-year period, subject to the achievement of certain performance standards. The Company routinely assesses the recoverability of unamortized development advance balances primarily based on each individual franchisee's historical operating experience relative to their ability to achieve certain future performance standards and records a reserve, if required. Amortization of development advances and provision for uncollectible amounts in connection with development advances are included in cost of franchise operations in the Consolidated Statements of Operations. Development advances, net are included in other non-current assets, net on the Consolidated Balance Sheets.

	As of April 30,	
	2006	2005
	(In thousands)	
Unamortized development advances	$7,861	$ 7,662
Less allowance	(999)	(1,226)
Development advances, net	$6,862	$ 6,436

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

	As of April 30,	
	2006	2005
	(In thousands)	
Accounts payable	$ 325	$ 2,089
Accrued payroll and related liabilities	16,844	10,385
Litigation settlement accrual	2,250	3,107
Litigation related accrual	3,800	—
Accrued marketing and advertising	5,225	6,479
Accrued purchase price obligations	1,243	120
Outstanding checks in excess of funds on deposit	—	1,304
Other accrued liabilities	14,314	4,097
Total accounts payable and accrued liabilities	$44,001	$27,581

http://www.sec.gov/Archives/edgar/data/1283552/000119312506147029/d10k.htm

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JACKSON HEWITT TAX SERVICE INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

10. RELATED PARTY TRANSACTIONS

Special Dividend Paid to Cendant

Upon completion of the IPO in June 2004, the Company declared a special dividend to Cendant in the amount of $306.9 million (the "Special Dividend"). The $175.0 million cash portion of this Special Dividend was funded entirely from the net proceeds of five-year floating rate senior unsecured notes, as discussed more fully in "Note 12—Long-Term Debt and Credit Facilities." The remaining $131.9 million represents the distribution of a receivable from Cendant.

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

See "Note 16—Income Taxes" for additional details on the adjustment to the Special Dividend recorded in fiscal 2006.

Allocation and Funding of Expenses

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

All allocated overhead expenses as well as direct charges were included in Due from Cendant on the Consolidated Balance Sheet. No interest was charged by Cendant or received by the Company in any period presented with respect to intercompany balances. Prior to the Company's IPO, Cendant used cash swept from the Company's bank accounts to fund these disbursements.

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

	Period from May 1, 2004 to the Company's IPO Date	Fiscal Year Ended April 30, 2004
	(In thousands)	
Due from Cendant as of April 30, 2004 and 2003, respectively	$ 143,985	$ 93,664
Corporate expense allocations	(750)	(4,251)
Payroll and related	(5,461)	(22,092)
Accounts payable funding	(12,878)	(64,909)
Income taxes	2,509	(20,845)
Cash sweeps	4,447	162,418
Subtotal	(12,133)	50,321
Special Dividend—distribution of Due from Cendant	(131,852)	—
Due from Cendant as of the Company's IPO date and as of April 30, 2004, respectively	$ —	$ 143,985

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Transitional Agreement and Other Related Agreements

Upon completion of the Company's IPO, the Company entered into a transitional agreement with Cendant to provide for an orderly transition to being an independent company and to govern the continuing arrangements between the Company and Cendant. The Company also entered into a sublease agreement for its corporate headquarters in Parsippany, New Jersey, which expired in September 2005, and a sublease assignment and assumption agreement for its technology facility in Sarasota, Florida. The Company paid rent directly to the landlord of the Sarasota facility as a sublessee under Cendant's lease, which expired in May 2006. The Company's rent and related costs under these agreements was $1.1 million, $1.9 million and $1.5 million in fiscals 2006, 2005 and 2004, respectively.

In May 2005, the Company entered into a new lease with an unaffiliated lessor for office space located in Parsippany and in September 2005, the Company relocated its corporate headquarters to this office space. The lease expires in October 2012. Annual base rental expense is $1.2 million through the term of the lease.

In November 2005, the Company entered into a new lease with an unaffiliated lessor for office space located in Sarasota. The Company relocated its current technology facility to this office space in June 2006. The lease expires in May 2014. Annual base rental expense is $0.7 million through the term of the lease.

Under the transitional agreement, Cendant provided the Company with various services, including services relating to facilities, human resources and employee benefits, payroll, financial systems management, treasury and cash management, accounts payable services, tax support, public and regulatory affairs, information technology services, revenue audit services, telecommunications services, call support services and event marketing services. The transitional agreement also contains provisions relating to indemnification, tax sharing and tax indemnification, access to information and non-solicitation of employees.

Excluding rent and related costs disclosed above, the Company incurred an aggregate of $1.4 million and $0.9 million of expenses related to such transitional and other related agreements with Cendant in fiscals 2006 and 2005, respectively, which is included in cost of franchise operations and selling, general and administrative.

Under the transitional agreement, the cost of each transitional service generally reflects the same payment terms and is calculated using the same cost allocation methodologies for the particular service as those associated with the costs reported in the Company's historical Consolidated Financial Statements prior to the Company's IPO. The transitional agreement was negotiated in the context of a parent-subsidiary relationship. The provisions of many of the services were transitioned at similar costs to those allocated by Cendant historically. There are no fixed or minimum contractual purchase obligations under the transitional agreement and other related agreements.

The Company has completed most transition arrangements with Cendant and is now operational on its own systems and infrastructure. Remaining transitional services from Cendant are as follows:

Telecommunications Services

Since the Company's IPO, Cendant has provided the Company with telecommunications services, including the Company's local and long distance rate per minute charges, through arrangements it has with third-party providers and will continue doing so under the transitional agreement as an unaffiliated entity until June 30, 2007. Both Cendant and the Company may terminate the provision of telecommunications services provided by Cendant, without penalty, upon 180 days written notice by the terminating party. The Company paid the third party providers directly for these services and the Company's equipment use, and will continue to pay them in

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JACKSON HEWITT TAX SERVICE INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

this manner under the transitional agreement. The Company's costs for telecommunications services were $0.8 million in fiscal 2006, $0.4 million in fiscal 2005 and $0.5 million in fiscal 2004.

Call Support Services

Since the Company's IPO, Cendant has provided the Company with customer service support through its Aberdeen, South Dakota call center and will continue to do so under the transitional agreement until December 31, 2006. The Company may terminate the provision of these services without penalty upon 60 days prior written notice to Cendant or immediately if Cendant does not meet the service level requirements as defined in the transitional agreement. Cendant may terminate providing these services to the Company, without penalty, after June 30, 2006 upon 120 days prior written notice to the Company. Prior to the Company's IPO, Cendant allocated the costs for call support based on the number of calls serviced for the Company in the call center. Since the Company's IPO, and under the transitional agreement, Cendant has allocated costs to the Company based on the number of minutes incurred for the calls serviced for the Company. The Company's costs for call support were $0.4 million in fiscal 2006, $0.2 million in fiscal 2005 and $0.1 million in fiscal 2004.

Event Marketing Services

Since the Company's IPO, Cendant has provided the Company with event marketing services, such as arranging the Company's annual franchisee conventions and other franchisee events, and will continue doing so under the transitional agreement through December 31, 2006. The Company may terminate the provision of these services at any time, subject to payment of any outstanding liabilities or cancellation fees charged to Cendant by third parties. Cendant may terminate providing these services at any time, without penalty. If terminated, the Company would only be required to pay Cendant for services performed through the date of termination. The Company's costs for these services were $0.1 million in each of fiscal 2006, 2005 and 2004.

Other Related Party Transactions

The Company earned commissions and access fees from preferred vendor agreements through Cendant until the Company's IPO date and as an independent public company thereafter. Commissions and access fees directly attributable to the Company and its franchisees were allocated to the Company through the Due from Cendant account until the Company's IPO date. Beginning in June 2004, the Company's preferred vendor agreements were no longer contracted through Cendant. Revenues from these agreements were $0.1 million (net of $0.6 million of revenues earned after agreements were no longer contracted through Cendant) and $1.1 million in fiscal 2005 and 2004, respectively, and are included in other revenues in the Consolidated Statements of Operations.

In fiscal 2003, the Company entered into an agreement with Wright Express Financial Services Corporation, a subsidiary of Cendant at the time, to provide a debit card product to the Company's customers. In February 2005, Cendant divested 100% of its ownership interest in Wright Express Financial Services Corporation through an IPO and the new public entity became known as Wright Express Corporation. The agreement expired on September 30, 2005. Revenues recorded under this agreement were $0.4 million and $0.5 million for the years ended April 30, 2005 and 2004, respectively, and are included in financial product fees in the Consolidated Statements of Operations.

11. ACQUISITIONS AND DISPOSITIONS

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

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JACKSON HEWITT TAX SERVICE INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

excess of the purchase price over the estimated fair values of the underlying assets acquired and liabilities assumed was allocated to goodwill. The results of operations of businesses acquired by the Company have been included in the Consolidated Statements of Operations since their respective dates of acquisition.

In fiscal 2006, the Company acquired five tax return preparation businesses for a total purchase price of $2.7 million, of which $1.2 million represents accrued purchase price obligations that are included in accounts payable and accrued liabilities on the Consolidated Balance Sheet as of April 30, 2006.

In fiscal 2005, the Company acquired four independent tax practices for a total purchase price of $1.0 million. Under the fiscal 2005 acquisition agreements, the Company paid additional consideration of $0.4 million in fiscal 2006 related to the achievement by the entities of specified revenue levels. All of the goodwill associated with the fiscal 2005 acquisitions was allocated to the company-owned office operations segment. In fiscal 2005, the Company also made payments of $1.6 million related primarily to the settlement of accrued purchase price obligations.

In fiscal 2004, the Company acquired seven tax return preparation businesses. The total purchase price for these acquisitions was $3.8 million.

The Company's acquisitions in fiscals 2006, 2005 and 2004 were not significant to the Company's financial position, results of operations or cash flows either individually or in the aggregate. All goodwill associated with acquisitions in fiscals 2006, 2005 and 2004 is deductible for tax purposes.

In fiscal 2006, the Company sold selected company-owned office operations in Texas and Massachusetts to existing franchisees for total consideration of $3.1 million of which $0.6 million represented initial franchise fees for territory sales and $2.5 million was for the sale of assets. Additionally, the Company recognized a $0.5 million net gain on sale of assets.

12. LONG-TERM DEBT AND CREDIT FACILITIES

$250 Million Credit Facility

On June 29, 2005, the Company established a $250.0 million five-year unsecured credit facility (the "$250 Million Credit Facility") that generally had less restrictive covenants than those contained in the Company's prior debt agreements and reduced the cost of debt. Borrowings under the $250 Million Credit Facility are to be used to finance working capital needs, potential acquisitions and other general corporate purposes including repurchases of the Company's common stock.

The $250 Million Credit Facility provides for loans in the form of Eurodollar or Base Rate borrowings. Eurodollar borrowings bear interest at the London Inter-Bank Offer Rate ("LIBOR"), as defined in the $250 Million Credit Facility, plus a credit spread as defined in the $250 Million Credit Facility, ranging from 0.85% to 1.05% per annum. Base Rate borrowings, as defined in the $250 Million Credit Facility, bear interest primarily at the Prime Rate, as defined in the $250 Million Credit Facility. The $250 Million Credit Facility carries an annual fee ranging from 0.15% to 0.20% of the unused portion of the $250 Million Credit Facility, which is payable quarterly. The Company may also use the $250 Million Credit Facility to issue letters of credit for general corporate purposes. There was a $1.0 million letter of credit outstanding under the $250 Million Credit Facility as of April 30, 2006 as required under the Company's lease agreement for its corporate headquarters in New Jersey, which will be reduced to $0.8 million in fiscal 2007, $0.5 million in fiscal 2008 and terminates thereafter.

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JACKSON HEWITT TAX SERVICE INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

In connection with entering into the $250 Million Credit Facility, the Company incurred $0.7 million of financing fees, which were deferred and are being amortized to interest expense over the term of the $250 Million Credit Facility. Amortization of financing fees under the $250 Million Credit Facility amounted to $0.1 million in fiscal 2006.

Interest expense associated with debt outstanding under the $250 Million Credit Facility was $6.4 million in fiscal 2006.

The $250 Million Credit Facility contains covenants, including the requirement that the Company meet certain financial covenants, such as a maximum consolidated leverage ratio of 2.5:1.0 and a minimum consolidated interest coverage ratio of 4.0:1.0. The consolidated leverage ratio is the ratio of consolidated debt to consolidated Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA"), each as defined in the $250 Million Credit Facility. The consolidated interest coverage ratio is the ratio of consolidated EBITDA to consolidated interest expense, each as defined in the $250 Million Credit Facility. The maximum leverage ratio and minimum interest coverage ratio remains fixed through the five-year term of the $250 Million Credit Facility. As of April 30, 2006, the Company was in compliance with these covenants.

The $250 Million Credit Facility contains various customary restrictive covenants that limit the Company's ability to, among other things, (i) incur additional indebtedness or guarantees, (ii) create liens or other encumbrances on the Company's property, (iii) enter into a merger or similar transaction, (iv) sell or transfer property except in the ordinary course of business, and (v) make dividend and other restricted payments.

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 ("$175 Million Notes") that were outstanding. To repay the $175 Million Notes, the Company used cash provided by operations from the prior tax season of $76.0 million and borrowed $99.0 million under the $100.0 million five-year revolving credit facility (the "$100 Million Credit Facility"), discussed below.

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

In connection with the issuance of the $175 Million Notes, the Company incurred $1.7 million of financing fees which were deferred and amortized to interest expense over the term of the $175 Million Notes. Amortization of such fees was $0.1 million and $0.3 million in fiscals 2006 and 2005, respectively. 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 of the $175 Million Notes in June 2005.

The agreement governing the $175 Million Notes contained substantially similar provisions and covenants to those contained in the $100 Million Credit Facility, as well as customary event of default provisions and other terms and conditions that were consistent with those contained in similar debt obligations of issuers with a credit quality similar to JHTS. The agreements that governed the $175 Million Notes and $100 Million Credit Facility were amended on January 7, 2005 to permit the Company to repurchase additional shares of common stock.

Interest expense under the $175 Million Notes amounted to $1.3 million and $5.5 million in fiscals 2006 and 2005, respectively.

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JACKSON HEWITT TAX SERVICE INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

$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. Borrowings under the $100 Million Credit Facility were available to finance working capital needs, acquisitions and other general corporate purposes. The $100 Million Credit Facility provided for loans in the form of Eurodollar or Alternate Base Rate borrowings. Eurodollar borrowings bore interest at the adjusted LIBOR, as defined in the $100 Million Credit Facility, plus 1.25% per annum. Alternate Base Rate borrowings bore interest primarily at the Prime Rate, as defined in the $100 Million Credit Facility, plus 0.25% per annum. The Company also was permitted to use the $100 Million Credit Facility to issue letters of credit for general corporate purposes. The $100 Million Credit Facility carried an annual facility fee of 0.25% of the total commitment amount which was payable quarterly.

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. Amortization of such fees amounted to $0.1 million and $0.3 million in fiscals 2006 and 2005, respectively. 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 in June 2005.

As discussed above, 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. Interest expense associated with borrowings under the $100 Million Credit Facility was $35,000 and $0.1 million in fiscals 2006 and 2005, respectively.

Average Cost of Debt

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

13. INTEREST RATE SWAP AGREEMENTS

In August 2005, the Company entered into interest rate swap agreements with financial institutions to convert a notional amount of $50.0 million of floating-rate borrowings under the $250 Million Credit Facility into fixed-rate debt, with the intention of mitigating the economic impact of changing interest rates. Under these interest rate swap agreements, which became effective in October 2005, the Company receives a floating interest rate based on the three-month LIBOR (in arrears) and pays a fixed interest rate averaging 4.4%. These agreements mature in June 2010 and were determined to be cash flow hedges in accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" as amended by SFAS No. 137, No. 138 and No. 149 ("SFAS No. 133"). As of April 30, 2006, the fair value of the interest rate swap agreements was an asset of $1.6 million which is recorded in other non-current assets on the Consolidated Balance Sheet. The change in fair value since inception to April 30, 2006 was $0.9 million, net of tax, and is recorded as a component of accumulated other comprehensive income. Since inception, no amounts have been recognized in the Consolidated Statements of Operations due to ineffectiveness.

14. STOCK-BASED COMPENSATION AND RETIREMENT BENEFITS

Stock Compensation Plans

Following the Company's IPO, the Company adopted the 2004 Equity and Incentive Plan, which provides for the grant of incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock, 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

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Committee for participation in the plan. In addition, 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 stock has been offered for purchase under this plan as of April 30, 2006.

Exchange Transaction

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

Stock Options

Under the Company's 2004 Equity and Incentive Plan, stock options, except those granted pursuant to the exchange transaction described above, are generally granted with an exercise price equal to the market price of a share of common stock on the date of grant, have a term of ten years or less and vest based on four years of continuous service from the date of grant. As of April 30, 2006, there were four million securities authorized for issuance under the Company's 2004 Equity and Incentive Plan, including the stock options issued by the Company in exchange for Cendant stock options at the Company's IPO date, of which 1,158,433 securities were available for future issuance as of April 30, 2006.

In addition to the exchange transaction, the Company incurred stock-based compensation expense of $2.5 million and $1.4 million in fiscals 2006 and 2005, respectively, in connection with stock options granted to employees.

The following table summarizes the stock option activity of the Company's stock options during the fiscal years ended April 30, 2006 and 2005 and for the fiscal year ended April 30, 2004 of the Cendant stock options issued to the Company's employees. Stock option activity for fiscal 2004 may not necessarily be indicative of what the activity would have been had the Company been a stand-alone entity during this period.

	Fiscal Year Ended April 30,					
	2006		2005		2004	
	Number of Stock Options	Weighted Average Exercise Price	Number of Stock Options	Weighted Average Exercise Price	Number of Stock Options	Weighted Average Exercise Price
Beginning balance	1,947,683	$ 15.73	1,396,595	$ 16.06	1,968,348	$ 15.21
Cancellation of Cendant stock options	—	—	(1,396,595)	$ 16.06	—	—
Converted stock options from Cendant stock options at the Company's IPO date	—	—	903,935	$ 13.97	—	—
Stock options granted	821,270	$ 21.45	1,158,828	$ 17.08	—	—
Stock options exercised	(196,868)	$ 14.60	(33,447)	$ 12.61	(537,087)	$ 12.84
Stock options cancelled or expired.	(110,932)	$ 16.82	(81,633)	$ 16.85	(34,666)	$ 17.97
Ending balance	2,461,153	$ 17.67	1,947,683	$ 15.73	1,396,595	$ 16.06

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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, 2006:

	Outstanding Stock Options			Exercisable Stock Options	
	Number of Stock Options	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number of Stock Options	Weighted Average Exercise Price
$0.01 to $9.99	33,521	5.4	$ 8.93	33,521	$ 8.93
$10.00 to $16.99	641,914	4.6	$ 14.20	641,914	$ 14.20
$17.00 to $24.85	1,785,718	8.5	$ 19.09	239,699	$ 17.10
	2,461,153	7.4	$ 17.67	915,134	$ 14.77

The weighted average grant date fair value of the JHTS stock options granted during fiscals 2006 and 2005 was $6.41 and $6.04, respectively. The fair value of these stock options is estimated on the dates of grant using the Black-Scholes option-pricing model. In fiscal 2006, the Company modified the method to determine expected volatility by utilizing the Company's historical publicly-traded stock price. For grants in fiscal 2005, the Company did not have enough historical information following the Company's IPO to provide a statistically valid sample of observations. Therefore, expected volatility in fiscal 2005 was based on the average volatilities of entities that had recently completed their respective IPOs. In fiscal 2006, the Company elected to use the methodology permitted under SEC Staff Accounting Bulletin No. 107 for determining expected holding period until it can accumulate a reasonably consistent history of exercised options following the IPO to make a more refined estimate of expected term. No stock options were granted in fiscal 2004. The following weighted average assumptions were used for stock options granted in fiscals 2006 and 2005:

	Fiscal Year Ended April 30,	
	2006	2005
Dividend yield	1.5%	1.6%
Expected volatility	28.0%	31.3%
Risk-free rate of return	3.9%	4.4%
Expected holding period (years)	6.25	7.5

Restricted Stock Units

Following the Company's IPO, Cendant RSUs held by the Company's employees were cancelled and converted into JHTS awards. As a result, the Company issued to employees 100,880 shares of the Company's common stock in exchange for the Cendant RSUs that were held by such employees prior to the Company's IPO and incurred a $2.6 million stock-based compensation charge of which $1.0 million represented the value of shares withheld to satisfy the employees' income and payroll tax obligations.

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The following table presents information on (i) the exchange of Cendant RSUs for JHTS common stock in connection with the Company's IPO and (ii) RSUs issued since the Company's IPO.

	RSUs	Weighted Average Grant Price
Cendant RSUs related to JHTS employees as of April 30, 2004	106,497	$ 13.76
Transferred(1)	8,844	$ 13.64
Forfeited(2)	(5,718)	$ 13.64
Cendant RSUs exchanged for JHTS common stock at the Company's IPO date	109,623	$ 13.76
Fully vested shares of JHTS common stock issued in exchange for Cendant RSUs at the Company's IPO date	100,880	$ 17.29
Number of shares of common stock represented by RSUs granted in fiscal 2005(3) and outstanding as of April 30, 2005	25,636	$ 18.17
RSUs granted at fair value in fiscal 2006(3)	10,880	$ 26.18
Number of shares of common stock represented by RSUs outstanding as of April 30, 2006	36,516	$ 20.54

(1) Represents RSUs attributable to the movement of employees between JHTS and Cendant.
(2) Represents RSUs attributable to employees who departed from JHTS prior to the Company's IPO date.
(3) The Company incurred stock-based compensation expense of $0.3 million and $0.5 million in fiscals 2006 and 2005, respectively, in connection with the issuance of fully vested and non-forfeitable RSUs to certain non-employee directors that are payable in shares of the Company's common stock as a one-time distribution upon termination of services.

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 Company's contributions to this plan totaled $1.3 million and $1.0 million in fiscal years 2006 and 2005, respectively.

15. SHARE REPURCHASE PROGRAMS

In fiscal 2006, the Company paid $61.3 million, including commissions, to repurchase 2,538,197 shares of its common stock. The Company acquired 500,000 of the shares under a repurchase program announced on June 2, 2005 (completed in July 2005) and acquired the remaining shares under a repurchase program announced on July 5, 2005 and completed in November 2005. No repurchased shares have been retired as of April 30, 2006.

On May 31, 2006, the Company's Board of Directors authorized a $75 million share repurchase program. As of June 30, 2006, the Company had repurchased 852,500 shares of the Company's common stock totaling $26.6 million, including commissions, under this program. Such repurchases to date have been made in the open market.

16. INCOME TAXES

The Company files a consolidated federal income tax return and combined or separate state income tax returns in each state taxing jurisdiction. For the periods ending up to the date of the Company's IPO in June 2004, the Company was included in the consolidated federal income tax return, and combined state income tax

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returns as a member of Cendant's consolidated group. For the periods reported while a member of Cendant's consolidated group, the provision for income taxes is computed as if the Company filed its federal and state tax returns on a stand-alone basis for the entire year.

The provision for income taxes consists of:

	Fiscal Year Ended April 30,		
	2006	2005	2004
	(In thousands)		
Current			
Federal	$34,647	$16,931	$18,671
State	7,183	3,976	3,869
	41,830	20,907	22,540
Deferred			
Federal	(2,226)	10,190	4,546
State	(1,080)	1,108	418
	(3,306)	11,298	4,964
Provision for income taxes	$38,524	$32,205	$27,504

Deferred income tax assets and liabilities consist of:

	As of April 30,	
	2006	2005
	(In thousands)	
Current deferred income tax assets		
Accrued liabilities and deferred revenues	$ 6,793	$ 5,049
Provision for doubtful accounts and other	947	1,039
Total current deferred income tax assets	7,740	6,088
Current deferred income tax liabilities		
Prepaid expenses	3,157	2,642
Total current deferred income tax liabilities	3,157	2,642
Current net deferred income tax asset	$ 4,583	$ 3,446
Non-current deferred income tax assets		
Accrued liabilities and deferred revenues	$ 9,088	$ 7,979
Provision for doubtful accounts and other	676	848
Net operating loss carryforwards	1,112	1,112
Valuation allowance	(1,112)	(1,112)
Total non-current deferred income tax assets	9,764	8,827
Non-current deferred income tax liabilities		
Depreciation and amortization	42,855	42,366

Prepaid expenses	2,813	2,466
Derivatives	622	—
Total non-current deferred income tax liabilities	46,290	44,832
Non-current net deferred income tax liability	$36,526	$36,005

The valuation allowance of $1.1 million as of April 30, 2006 relates to deferred tax assets for state net operating loss carryforwards that were acquired in connection with acquisition of TSA in fiscal 2002. The valuation allowance will be adjusted to goodwill when, and if, the Company determines that the deferred income tax assets are more likely than not to be realized based upon existing state tax laws.

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

	Fiscal Year Ended April 30,		
	2006	2005	2004
Federal statutory rate	35.0%	35.0%	35.0%
State and local income taxes, net of federal tax benefits	4.1	4.0	3.9
Other	0.8	0.2	0.1
Company's effective income tax rate	39.9%	39.2%	39.0%

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 in increase to APIC.

17. FINANCIAL INSTRUMENTS

Credit Risk and Exposure

The Company invests its excess cash in deposits with high quality institutions. As of April 30, 2006, 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, 2006, there were no significant concentrations of credit risk with any individual franchisee or groups of franchisees. Concentrations of credit risk associated with receivables are considered minimal due to the Company's diverse customer base. The Company maintains a provision of potential credit losses based on expected collectibility of all receivables, which the Company believes is adequate for its credit loss exposure. The Company does not normally require collateral or other security to support credit sales.

Accounts receivable due from SBB&T was $4.5 million as of April 30, 2006. The Company considers SBB&T credit worthy and the Company has not historically had any credit losses in connection with related receivables. There were no outstanding receivables from HSBC as of April 30, 2006.

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Fair Value

The estimated fair value of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their respective carrying amounts due to the short-term maturities of these assets and liabilities. The estimated fair value of development advances approximate its carrying amount as development advances are carried on the Consolidated Balance Sheet net of both amortization and provision for uncollectible amounts. The estimated fair value of long-term debt approximated its carrying amount as of April 30, 2006 as the interest rate on the long-term debt, excluding the $50.0 million of hedged borrowings whereby the interest rate is fixed, was variable and adjusted to market every three months.

The fair value of notes receivable is determined based on the net present value of estimated payments to be received over the life of the note. The carrying amount and estimated fair value for notes receivable was $8.3 million and $9.1 million, respectively, as of April 30, 2006; and $5.9 million and $6.5 million, respectively, as of April 30, 2005.

18. 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, other financial product revenues and other revenues; and
- Company-Owned Office Operations—This segment consists of the operations of the Company's owned offices for which the Company recognizes service revenues for the preparation of tax returns and related services.

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

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

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

	Franchise Operations	Company-Owned Office Operations	Corporate and Other(a)	Total
	(In thousands)			
Fiscal year ended April 30, 2004				
Total revenues	$149,025	$ 56,590	$ —	$205,615
Expenses:				
Cost of operations	21,921	41,639	—	63,560
Marketing and advertising	24,212	5,252	—	29,464
Selling, general and administrative	3,597	3,075	23,828	30,500
Depreciation and amortization	7,608	4,303	—	11,911
Total expenses	57,338	54,269	23,828	135,435
Income (loss) from operations	$ 91,687	$ 2,321	$ (23,828)	$ 70,180
Income (loss) before income taxes	$ 92,344	$ 2,321	$ (24,201)	$ 70,464
Total assets	$511,485	$ 65,584	$ 148,873	$725,942
Capital expenditures	$ 1,483	$ 2,482	$ —	$ 3,965

(a) Expenses consist of unallocated corporate overhead supporting both segments including legal, finance, human resources, real estate facilities and strategic development activities, as well as interest expense. Additionally, fiscals 2006 and 2005

include additional insurance costs and stock-based compensation. Total assets represent unallocated common assets supporting both segments, including amounts due from Cendant as of April 30, 2004.

19. COMMITMENTS AND CONTINGENCIES

Operating Leases

The Company is committed to making rental payments under noncancelable operating leases covering various facilities and equipment.

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Future minimum lease payments required under noncancelable operating leases are as follows:

Fiscal Year	Amount (In thousands)
2007	$ 8,741
2008	6,536
2009	4,191
2010	2,713
2011	2,297
2012 and thereafter	4,212
Total	$ 28,690

Rent expense is included in selling, general and administrative expense and cost of company-owned office operations expense in the Consolidated Statements of Operations. Certain leases also contain rent escalation clauses that require additional rental amounts in later years of the term. Rent expense for leases with escalation clauses is recognized on a straight-line basis over the noncancelable lease term. Rent expense was $10.7 million, $9.1 million and $7.4 million, in fiscal 2006, 2005 and 2004, respectively.

Guarantees

The Company is required to provide various types of surety bonds, such as tax preparer bonds and performance bonds, which are irrevocable undertakings by the Company to make payment in the event the Company fails to perform certain of its obligations to third parties. These bonds vary in duration although most are issued and outstanding from one to two years. As of April 30, 2006, the maximum potential payment under the aggregate outstanding surety bonds is $1.8 million. Historically, no surety bonds have been drawn upon and there is no future expectation that these surety bonds will be drawn upon.

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

The transitional agreement with Cendant provides that the Company continues to indemnify Cendant and its affiliates against potential losses based on, arising out of or resulting from, among other things, claims by third parties relating to the ownership or the operation of the Company's assets or properties and the operation or conduct of the Company's business, whether in the past or future, including any currently pending litigation against Cendant and any claims arising out of or relating to the Company's IPO. The only currently pending litigation against the Company and Cendant are the suits brought by Canieva Hood in Ohio and California, which are discussed below in "Legal Proceedings." Additionally, the transitional agreement provides that the Company will be 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 will indemnify Cendant and its subsidiaries against any such tax liabilities imposed on or attributable to the Company and any of the Company's

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subsidiaries. While there have not been any indemnification payments by the Company under these arrangements since the Company's IPO, there can be no assurance that the Company will not be obligated to make such payments in the future.

There was a $1.0 million letter of credit outstanding under the $250 Million Credit Facility as of April 30, 2006 as required under the Company's lease agreement for its corporate headquarters in New Jersey, which will be reduced to $0.8 million in fiscal 2007, $0.5 million in fiscal 2008 and terminates thereafter.

The Company routinely enters into contracts that include indemnification provisions that typically 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; (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. Typically, there is no stated maximum payment related to these indemnities, and the term of indemnities may vary and in many cases is limited only by the applicable statute of limitations. The likelihood of any claims being asserted against the Company and the ultimate liability related to any such claims, if any, is difficult to predict. While there have not been any indemnification payments by JHTS under these arrangements in the past, there can be no assurance that the Company will not be obligated to make such payments in the future.

Legal Proceedings

On August 27, 2002, a plaintiff group comprising of 154 franchisees filed an action against SBB&T and the Company in the Superior Court of New Jersey, Morris County. The suit alleged, among other things, that the Company breached an agreement with the plaintiffs by not paying them a portion of surpluses in RAL loss reserves. The plaintiffs sought a declaratory judgment, an accounting, payment of an incentive rebate, unspecified compensatory and punitive damages, treble damages and attorneys' fees. By an order dated December 6, 2002, the court dismissed the conversion and fraud counts of the complaint with prejudice. The plaintiffs filed an amended complaint on March 17, 2003. The parties submitted the matter to mediation in July 2003, which resulted in a settlement in which the Company agreed, among other things, to make a $2.0 million cash payment, spend an additional $2.0 million on regional advertising from 2004 through 2006, pay additional rebates to franchisees of up to $3.00 per RAL processed during the 2004 through 2006 tax seasons, subject to performance criteria, and implement a temporary royalty fee reduction program for certain new franchise offices. On December 19, 2003, the court issued a ruling enforcing the settlement and dismissed the action with prejudice. Accordingly, a $10.4 million charge was recognized in fiscal 2004. As of April 30, 2006, the Company has made cash payments of $7.6 million towards the litigation settlement. As of April 30, 2006, the Company's litigation settlement accrual of $2.2 million is included in accounts payable and accrued liabilities on the Consolidated Balance Sheet.

As of April 30, 2006, 152 plaintiffs in the action have executed the settlement agreement. One plaintiff has appealed the enforcement order of December 19, 2003. On May 17, 2005, the Superior Court of New Jersey Appellate Division reversed the trial court's December 19, 2003 ruling as to the one who appealed, and remanded for further proceedings. The Company filed a petition for certification with the New Jersey Supreme Court. On May 31, 2006, the New Jersey Supreme Court reversed the judgment of the Appellate Division and remanded to the trial court to reinstate the judgment to enforce the settlement agreement. The litigation settlement accrual recognized in fiscal 2004 included potential settlement payment obligations to this plaintiff.

On or about April 4, 2003, Canieva Hood and Congress of California Seniors brought a purported class action suit against SBB&T and the Company in the Superior Court of California (San Francisco), subsequently adding Cendant, in the Superior Court of California (Santa Barbara, following a transfer from San Francisco) in connection with the provision of RALs, seeking declaratory relief as to the lawfulness of the practice of cross-lender debt collection, the validity of SBB&T's cross-lender debt collection provision and whether the method of

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disclosure to customers with respect to the provision is unlawful or fraudulent. The Company was joined in the action for allegedly collaborating, and aiding and abetting, in the actions of SBB&T. The Company filed a demurrer and subsequently answered the amended complaint, denying any liability. The court has granted a motion to dismiss SBB&T and other banks who are third-party defendants on the ground that the claims are preempted by federal law. Plaintiffs have appealed that decision. The court has stayed all other proceedings, pending appeal. The Company believes it has meritorious defenses and is contesting this matter vigorously. Ms. Hood has also filed a separate suit against the Company and Cendant on December 18, 2003 in the Ohio Court of Common Pleas (Montgomery County) and is seeking to certify a class in the action. Plaintiff subsequently voluntarily dismissed Cendant from this action. The allegations relate to the same set of facts as the California action. The Company filed a motion to stay or dismiss, which was denied, and subsequently answered the Complaint, denying any liability. The case is in its discovery and pretrial stage. The Company has filed a motion to stay the action, or in the alternative to add SBB&T as a third-party defendant, pending a decision in the California appeal. A decision by the court is currently pending. The Company believes it has meritorious defenses and is contesting this matter vigorously.

On June 18, 2004, Myron Benton brought a purported class action against SBB&T and the Company in the Supreme Court of the State of New York (County of New York) in connection with disclosures made in connection with the provision of RALs, alleging that the disclosures and related practices are fraudulent and otherwise unlawful, and seeking equitable and monetary relief. The Company filed a motion to dismiss that complaint. In response, Benton withdrew his original complaint and filed an amended complaint on January 3, 2005. The Company filed a motion for summary judgment and the plaintiff filed a cross-motion for summary judgment, both of which are currently pending. While this matter is at a preliminary stage, the Company believes it has meritorious defenses and is contesting this matter vigorously.

On December 23, 2005, Pierre Brailsford and Kevin Gilmore brought a purported class action against the Company in the Superior Court of California, Alameda County in connection with disclosures made in connection with the provision of RALs, alleging that the disclosures and related practices are fraudulent and otherwise unlawful, and seeking equitable and monetary relief. On January 31, 2006, we filed a notice removing the complaint to the United States District Court for the Northern District of California. On February 7, 2006, the Company filed a motion to dismiss, which was denied, and subsequently answered the complaint, denying any liability. While this matter is at a preliminary stage, the Company believes it has meritorious defenses and is contesting this matter vigorously.

In March 2003, the California Attorney General's Office initiated an inquiry into the Company's business practices. The Company has been in discussions with the California Attorney General's Office and has been cooperating with the inquiry and voluntarily providing information and documents requested. Areas of discussion include, but are not limited to, the manner in which services are marketed and financial products are facilitated. The California Attorney General's Office has expressed concerns that certain business practices may violate the law. The Company has reached an understanding with the California Attorney General's Office which provides that the Company will enter into a consent judgment providing monetary and injunctive relief. The proposed judgment provides for a $4 million fund from which California customers of Jackson Hewitt who purchased financial products facilitated by Jackson Hewitt between 2001 and 2004 can obtain relief based on the number of financial products they purchased and the amount of cross or direct collection monies they paid. In addition, the Company would pay a $0.5 million civil monetary penalty and $0.5 million in costs of investigation to the State. The Company is currently in negotiations with the California Attorney General's Office regarding the terms of injunctive relief provisions. It is anticipated that the matter will be fully resolved by the end of this calendar year. The Company does not believe that the terms of the proposed settlement will have a material adverse effect on the Company's financial position, results of operations or cash flows. The Company has estimated that the range of liability, net of expected insurance coverage, with respect to resolution of this matter is between $3.8 million and $5.0 million, for which the Company has recorded a liability of $3.8 million as of

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JACKSON HEWITT TAX SERVICE INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

April 30, 2006, which is included in accounts payable and accrued liabilities on the Consolidated Balance Sheet. There can be no assurance that the Company's efforts to resolve this inquiry will be successful, or that the amount reserved will be sufficient.

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

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

The following table presents our unaudited consolidated statements of operations data for each of the eight quarters in the two-year period ended April 30, 2006. In our opinion, this information has been presented on the same basis as the audited consolidated financial statements beginning on page 47 of this 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. We expect our quarterly operating results to fluctuate in future periods due to a variety of reasons, including those discussed in "Item 1A.—Risk Factors."

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

	Fiscal Year 2005 Quarter Ended			
	April 30, 2005	January 31, 2005	October 31, 2004	July 31, 2004(3)
	(In thousands, except per share amounts)			
Revenues	$143,052	$ 73,237	$ 7,415	$ 8,783
Income (loss) from operations	$ 91,176	$ 30,517	$ (16,102)	$(18,219)
Net income (loss)	$ 54,575	$ 17,546	$ (10,724)	$(11,446)
Earnings (loss) per share:				
Basic	$ 1.45	$ 0.47	$ (0.29)	$ (0.30)
Diluted	$ 1.44	$ 0.46	$ (0.29)	$ (0.30)

(1) The Company incurred litigation related costs of $3.5 million.

(2) The Company incurred a non-cash charge of \$2.7 million associated with the repayment of the \$175 Million Notes and the termination of the Company's \$100 Million Credit Facility.
(3) The Company incurred a stock-based compensation charge of \$4.5 million in connection with the Company's IPO.

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JACKSON HEWITT TAX SERVICE INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The accumulation of four quarters in fiscal years 2006 and 2005 for earnings (loss) per share may not equal the related per share amounts for the years ended April 30, 2006 and 2005 due to the timing of the exercise of stock options and the antidilutive effect of stock options.

21. SUBSEQUENT EVENT

Declaration of Dividend

On May 31, 2006, the Company's Board of Directors declared a quarterly cash dividend of $0.12 per share of common stock, payable on July 14, 2006, to common stockholders of record on June 28, 2006.

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

	Fiscal Year Ended April 30,		
	2006	2005	2004
		(in thousands)	
Valuation and Qualifying Accounts Allowance for Doubtful Accounts(1):			
Balance at beginning of fiscal year	$ 4,715	$ 4,672	$ 6,560
Charged to expenses	2,840	3,081	2,802
Deductions	(3,498)	(3,038)	(4,690)
Balance at end of fiscal year	$ 4,057	$ 4,715	$ 4,672
Deferred Tax Asset Valuation Allowance:			
Balance at beginning of fiscal year	$ 1,112	$ 1,112	$ 1,112
Charged to expenses	—	—	—
Deductions	—	—	—
Balance at end of fiscal year	$ 1,112	$ 1,112	$ 1,112

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

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

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

ITEM 9A. CONTROLS AND PROCEDURES.

(a) Evaluation of Disclosure Controls and Procedures.

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

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

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

Management's report on our internal control over financial reporting and the report of our independent registered public accounting firm set forth in "Item 8—Consolidated Financial Statements and Supplementary Data" beginning on page 44 are incorporated herein by reference.

(c) Changes in Internal Control Over Financial Reporting.

During the fourth quarter of fiscal 2006, there were no changes that materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

ITEM 9B. OTHER INFORMATION.

There is no other information to be disclosed.

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PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The information contained in our Proxy Statement under the sections titled "Board of Directors", "Section 16A Beneficial Ownership Reporting Compliance" and "Executive Officers" 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 Securities and Exchange Commission or the NYSE. You can also obtain a printed copy of the codes 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 section titled "Executive Compensation and Other Information" is incorporated herein by reference in response to this item.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

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

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information contained in our Proxy Statement under the section titled "Certain Relationships and Related Transactions" is 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.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULE.

(a) (1) **Financial Statements.** The index to the Consolidated Financial Statements is found on page 43 of this Report.

(2) **Financial Statement Schedule.** Financial Statement Schedule II is found on page 80 of this Report.

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

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on July 14, 2006.

JACKSON HEWITT TAX SERVICE INC.

By: /s/ MICHAEL D. LISTER

Michael D. Lister
President and Chief Executive Officer
(Principal Executive Officer)

By: /s/ MARK L. HEIMBOUCH

Mark L. Heimbouch
Executive Vice President and Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on July 14, 2006.

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

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Exhibit Index

Exhibit No.	Description of Document
3.1	Amended and Restated Certificate of Incorporation, filed as Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended July 31, 2004, file number 1-32215, is incorporated herein by reference.
3.2	Amended and Restated By-Laws of Jackson Hewitt Tax Service Inc., dated May 26, 2005, filed as Exhibit 3.2 to the Company's Annual Report on Form 10-K for the year ended April 30, 2005, file number 1-32215, is incorporated herein by reference.
4.1	Form of Common Stock Certificate.
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*	Employment Agreement between Jackson Hewitt Tax Service Inc. and Michael D. Lister, dated June 2004, filed as Exhibit 10.1 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.
10.2*	Employment Agreement between Jackson Hewitt Tax Service Inc. and Mark L. Heimbouch, dated June 2004, filed as Exhibit 10.2 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.
10.3	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.
10.4	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.
10.5*	2004 Equity and Incentive Plan, filed as Exhibit 10.9 to the Company's Registration Statement on Form S-1/A, file number 333-113593, is incorporated herein by reference.
10.6*	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.
10.7	Form of Settlement Agreement between Jackson Hewitt Inc. and the Settling Plaintiff, filed as Exhibit 10.11 to the Company's Registration Statement on Form S-1/A, file number 333-113593, is incorporated herein by reference.
10.8	Form of Settlement Agreement between Jackson Hewitt Inc. and the Settling Franchisee, filed as Exhibit 10.12 to the Company's Registration Statement on Form S-1/A, file number 333-113593, is incorporated herein by reference.
10.9*	Letter Agreement for Steven L. Barnett, filed as Exhibit 10.14 to the Company's Registration Statement on Form S-1/A, file number 333-113593, is incorporated herein by reference.
10.10*	Letter Agreement for Richard P. Enchura, filed as Exhibit 10.15 to the Company's Registration Statement on Form S-1/A, file number 333-113593, is incorporated herein by reference.
10.11*	Letter Agreement for Jeanmarie Cooney, filed as Exhibit 10.18 to the Company's Registration Statement on Form S-1/A, file number 333-113593, is incorporated herein by reference.
10.12*	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.

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Exhibit No.	Description of Document
10.13*	Form of Stock Option Agreement under the 2004 Equity and Incentive Plan, filed as Exhibit 10.20 to the Company's Quarterly Report on Form 10-Q for the quarter ended October 31, 2004, file number 1-32215, is incorporated herein by reference.
10.14*	2005 Annual Voluntary Deferred Compensation Plan and Form of Deferred Compensation Agreement, filed as Exhibit 10.24 to the Company's Quarterly Report on Form 10-Q for the quarter ended January 31, 2005, file number 1-32215, is incorporated herein by reference.
10.15	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.
10.16*	Consulting Agreement, dated May 10, 2005, between Jackson Hewitt Inc. and Perb B. Fortner, filed as Exhibit 10.26 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.
10.17	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, Manufacturers and Traders Trust Company 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 June 29, 2005, filed as Exhibit 10.28 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.
10.18*	Restriction on Sale Agreement dated July 13, 2005 between Jackson Hewitt Tax Service Inc. and Michael D. Lister, filed as Exhibit 10.29 to the Company's Annual Report on Form 10-K for the year ended April 30, 2005, file number 1-32215, is incorporated herein by reference.
10.19	Gateway Building D Office Lease, made as of November 17, 2005, between Sarasota Gateway Building D, LLLP and Jackson Hewitt Inc., filed as Exhibit 10.30 to the Company's Quarterly Report on Form 10-Q for the quarter ended October 31, 2005, file number 1-32215, is incorporated herein by reference.
10.20**	Program Agreement, dated February 24, 2006, between Jackson Hewitt Inc., HSBC Taxpayer Financial Services Inc. and Beneficial Franchise Company, Inc., filed as Exhibit 10.31 to the Company's Quarterly Report on Form 10-Q for the quarter ended January 31, 2006, file number 1-32215, is incorporated herein by reference.
10.21**	Technology Services Agreement, dated February 24, 2006, between Jackson Hewitt Technology Services Inc. and HSBC Taxpayer Financial Services Inc., filed as Exhibit 10.32 to the Company's Quarterly Report on Form 10-Q for the quarter ended January 31, 2006, file number 1-32215, is incorporated herein by reference.
10.22**	Program Agreement, dated as of February 24, 2006, by and between Jackson Hewitt Inc. and Santa Barbara Bank & Trust, filed as Exhibit 10.33 to the Company's Quarterly Report on Form 10-Q for the quarter ended January 31, 2006, file number 1-32215, is incorporated herein by reference.
10.23**	Technology Services Agreement, dated February 24, 2006, by and between Jackson Hewitt Technology Services Inc. and Santa Barbara Bank & Trust, filed as Exhibit 10.34 to the Company's Quarterly Report on Form 10-Q for the quarter ended January 31, 2006, file number 1-32215, is incorporated herein by reference.
10.24	Leasing Operations Supplier Agreement (Products and/or Services), dated April 10, 2006, between Wal*Mart Stores, Inc. and Jackson Hewitt Inc.

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Exhibit No.	Description of Document
10.25	Letter Agreement, dated May 11, 2006, by and between Jackson Hewitt Tax Service Inc. and American Stock Transfer and Trust Company.
14.1	Jackson Hewitt Tax Service Inc. Code of Conduct.
14.2	Jackson Hewitt Tax Service Inc. Code of Conduct for Directors.
21.1	Subsidiaries of the Registrant.
23.1	Consent of Deloitte & Touche LLP.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Management contract or compensatory plan

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