

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended October 31, 2001 or

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____

Commission File Number 0-21180

INTUIT INC.

(Exact name of registrant as specified in its charter)

Delaware
(State of incorporation)

77-0034661
(IRS employer identification no.)

2535 Garcia Avenue, Mountain View, CA 94043
(Address of principal executive offices)

(650) 944-6000
(Registrant's telephone number, including area code)

Indicate by a check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Approximately 212,063,887 shares of Common Stock, \$0.01 par value, as of November 30, 2001

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INTUIT INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

<i>(In thousands)</i>	July 31, 2001	October 31, 2001
		<i>(unaudited)</i>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 450,104	\$ 415,044
Short-term investments	1,119,305	1,049,281
Marketable securities	85,307	41,484
Customer deposits	230,410	225,004
Accounts receivable, net	27,990	43,024
Mortgage loans	123,241	216,844
Deferred income taxes	77,948	92,300
Prepaid expenses and other current assets	33,617	37,353
	<hr/>	<hr/>
Total current assets	2,147,922	2,120,334
Property and equipment, net	185,969	184,973
Goodwill and intangibles, net	415,334	374,770
Long-term deferred income taxes	145,905	145,815
Investments	24,107	14,108
Other assets (1)	42,499	14,000
	<hr/>	<hr/>
Total assets	\$2,961,736	\$2,854,000
	<hr/>	<hr/>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 66,400	\$ 83,540
Payroll service obligations	205,067	199,529
Escrow liabilities	23,373	25,408
Drafts payable	63,518	85,947
Deferred revenue	137,305	139,510
Income taxes payable	82,661	44,514
Short-term note payable	38,672	39,532
Other current liabilities	170,966	168,857
	<hr/>	<hr/>
Total current liabilities	787,962	786,837
Long-term obligations	12,413	12,153
Minority interest	35	35
Commitments and contingencies	—	—
Stockholders' equity:		
Preferred stock	—	—
Common stock and additional paid in capital	1,725,490	1,749,168
Treasury stock, at cost	(8,497)	(21,132)
Deferred compensation	(21,720)	(20,343)
Accumulated other comprehensive income, net	28,180	1,836
Retained earnings	437,873	345,446
	<hr/>	<hr/>
Total stockholders' equity	2,161,326	2,054,975
	<hr/>	<hr/>
Total liabilities and stockholders' equity	\$2,961,736	\$2,854,000
	<hr/>	<hr/>

(1) Includes \$9.5 million and \$8.1 million loans due from affiliates as of July 31, 2001 and October 31, 2001, respectively.

See accompanying notes.

INTUIT INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Quarter Ended October 31,	
	2000	2001
<i>(In thousands, except per share data)</i>		
<i>(unaudited)</i>		
Net revenue:		
Products	\$119,823	\$ 114,583
Services	47,540	76,794
Other	20,159	17,389
Total net revenue	<u>187,522</u>	<u>208,766</u>
Costs and expenses:		
Cost of revenue:		
Cost of products	29,300	31,926
Cost of services	30,955	33,880
Cost of other revenue	6,639	6,546
Amortization of purchased software	2,987	1,706
Customer service and technical support	32,396	38,953
Selling and marketing	61,100	71,895
Research and development	47,878	49,940
General and administrative	27,783	28,593
Acquisition-related charges	39,679	41,087
Loss on impairment of long-lived asset	—	27,000
Total costs and expenses	<u>278,717</u>	<u>331,526</u>
Loss from operations	(91,195)	(122,760)
Interest and other income and expense, net	16,118	11,797
Net losses on marketable securities and other investments	(3,868)	(12,254)
Loss before income tax benefit, minority interest and cumulative effect of accounting change	(78,945)	(123,217)
Income tax benefit	30,916	30,790
Minority interest	(50)	—
Loss before cumulative effect of accounting change	(48,079)	(92,427)
Cumulative effect of accounting change, net of income taxes of \$9,543	14,314	—
Net loss	<u>\$ (33,765)</u>	<u>\$ (92,427)</u>
Basic and diluted net loss per share before cumulative effect of accounting change	\$ (0.23)	\$ (0.44)
Cumulative effect of accounting change	0.07	—
Basic and diluted net loss per share	<u>\$ (0.16)</u>	<u>\$ (0.44)</u>
Shares used in per share amounts	<u>205,727</u>	<u>211,039</u>

See accompanying notes.

INTUIT INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(In thousands)</i>	Quarter Ended October 31,	
	2000	2001
	<i>(unaudited)</i>	
Cash flows from operating activities:		
Net loss	\$ (33,765)	\$ (92,427)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization of goodwill, purchased intangibles and deferred compensation	43,110	43,426
Depreciation	14,610	16,058
Net loss from marketable securities and other investments	3,868	12,254
Loss on impairment of long-lived asset	—	27,000
Loss on sale of fixed assets	—	495
Cumulative effect of accounting change	(23,857)	—
Deferred income tax benefit	2,170	198
Tax benefit from employee stock options	32,006	9,574
Changes in assets and liabilities:		
Accounts receivable	(95)	(15,034)
Mortgage loans	(6,939)	(93,603)
Prepaid expenses and other current assets	(1,462)	1,670
Other assets	5,684	1,499
Accounts payable	(6,620)	17,140
Escrow liabilities	1,270	2,035
Drafts payable	2,667	22,429
Deferred revenue	13,591	2,205
Income taxes payable	(60,342)	(38,147)
Other accrued liabilities	(1,144)	(7,647)
Minority interest	50	—
NET CASH USED IN OPERATING ACTIVITIES	(15,198)	(90,875)
Cash flows from investing activities:		
Purchases of property and equipment	(29,383)	(16,343)
Proceeds from the sale of marketable securities	24,137	1,157
Purchases of short-term investments	(998,903)	(347,531)
Liquidation and maturity of short-term investments	956,458	418,603
Acquisitions and dispositions, net of cash acquired	(105,860)	—
Purchases of long-term investments	(1,000)	(894)
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(154,551)	54,992
Cash flows from financing activities:		
Principal payments on long-term debt	(2,943)	(260)
Principal proceeds on short-term debt	—	860
Net increases under warehouse line of credit	557	—
Net proceeds from issuance of common stock	33,901	22,019
Purchase of treasury stock	—	(21,137)
NET CASH PROVIDED BY FINANCING ACTIVITIES	31,515	1,482
Effect of foreign currency translation	—	(659)
Net decrease in cash and cash equivalents	(138,234)	(35,060)
Cash and cash equivalents at beginning of period	416,953	450,104
Cash and cash equivalents at end of period	\$ 278,719	\$ 415,044

See accompanying notes.

INTUIT INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. Summary of Significant Accounting Policies

Basis of Presentation

Intuit Inc. ("Intuit") has prepared the accompanying unaudited condensed consolidated financial statements in accordance with generally accepted accounting principles for interim financial statements. The financial statements include the financial statements of Intuit and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation. Certain other previously reported amounts have been reclassified to conform to the current presentation format.

We have included all normal recurring adjustments considered necessary to give a fair presentation of our operating results for the periods shown. Results for the quarter ended October 31, 2001 do not necessarily indicate the results to be expected for the fiscal year ending July 31, 2002 or any other future period. These statements and accompanying notes should be read together with the audited consolidated financial statements for the fiscal year ended July 31, 2001 included in Intuit's Form 10-K, filed with the Securities and Exchange Commission on October 5, 2001.

Use of Estimates

To comply with generally accepted accounting principles, we make estimates and assumptions that affect the amounts reported in the financial statements and the disclosures made in the accompanying notes. Estimates are used for product returns and exchanges, reserves for rebates, the collectibility of accounts receivable, deferred taxes and other amounts. We also use estimates to determine the remaining economic lives and carrying value of goodwill, purchased intangibles, fixed assets and other long-lived assets. Despite our intention to establish accurate estimates and assumptions, actual results may differ from our estimates.

Net Revenue

For our shrink-wrapped software products, we recognize revenue upon shipment (which is when title passes), provided that collection is probable and we have no significant remaining obligations. We recognize revenue net of returns reserves based on historical experience. In some situations, we receive advance payments from our customers. Revenue associated with these advance payments is deferred until the products are shipped or services are provided. We also reduce revenue by the estimated cost of rebates when products are shipped.

We recognize revenue from payroll processing and payroll tax filing services as the services are performed, provided we have no other obligations. We generally require our payroll tax customers to remit payroll tax liability funds to us in advance of the applicable payroll due date, via electronic funds transfer. We include in total net revenue the interest earned on invested balances resulting from timing differences between the collection of these funds from customers and the remittance of such funds to outside parties, because this interest income represents an integral part of the revenue generated from our services. We recognize this interest as it is earned. However, interest income generated from our cash and cash equivalents balance is included in other income because this interest income does not result from our operating activities.

We defer loan origination revenue and the associated commissions and processing costs on loans held for sale until the related loan is sold. We recognize gains and losses on loans at the time we sell them, based upon the difference between the selling price and the carrying value of the related loans sold. We recognize interest income on mortgage loans held for sale as it is earned, and we recognize interest expenses on related borrowings as cost of revenue as we incur them.

We also offer several plans under which customers are charged for technical support assistance. For plans where we collect fees in advance, we recognize revenue over the life of the plan, which is generally one year. We include costs incurred for fee-for-support plans in cost of revenue.

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We recognize revenue from other products and services when it is earned based on the nature of the particular product or service. For products and services that we provide over a period of time, we recognize revenue pro rata based on the contractual time period. However, where we provide or deliver the product or service at a specific point in time, we recognize revenue upon delivery of the product or completion of the service.

Shipping and Handling Costs

Costs incurred with the shipping and handling of our shrink-wrapped software products are recorded as cost of products in our results of operations.

Customer Service and Technical Support

Customer service and technical support costs include the costs associated with performing order processing, answering customer inquiries through Web sites and other electronic means and providing free technical support assistance to customers by telephone. In connection with the sale of certain products, we provide a limited amount of free technical support assistance to customers. We do not defer the recognition of any revenue associated with sales of these products, since the cost of providing this free technical support and related customer service is insignificant. The technical support is provided within one year after the associated revenue is recognized and free product enhancements are minimal and infrequent. We accrue the estimated cost of providing this free support upon product shipment.

Cash and Cash Equivalents and Short-Term Investments

We consider highly liquid investments with maturities of three months or less at the date of purchase to be cash equivalents. Short-term investments consist of available-for-sale debt securities that are carried at fair value. Available-for-sale debt securities are classified as current assets based upon our intent and ability to use any and all of these securities as necessary to satisfy the significant short-term liquidity requirements that may arise from the highly seasonal and cyclical nature of our businesses. Because of our significant business seasonality, cash flow requirements may fluctuate dramatically from quarter to quarter and require us to use a significant amount of the short-term investments held as available-for-sale securities. See Note 2 for more information about cash and cash equivalents and short-term investments.

Marketable Securities and Other Investments

Our available-for-sale marketable securities are carried at fair value and we include unrealized gains and losses, net of tax, in stockholders' equity. We use the specific identification method to account for gains and losses on marketable equity securities. Our other long-term investments are stated at cost. See Note 3 for more information about our marketable securities and other investments.

Goodwill, Purchased Intangible Assets, and Other Long-lived Assets

We record goodwill when the purchase price of net tangible and intangible assets we acquire exceeds their fair value. We amortize goodwill on a straight-line basis over periods ranging from 3 to 5 years. We generally amortize the cost of identified intangibles on a straight-line basis over periods ranging from 1 to 15 years.

We regularly perform reviews to determine if the carrying values of our long-lived assets are impaired. The reviews look for facts or circumstances, either internal or external, that indicate that the carrying value of the asset cannot be recovered.

We measure impairment loss related to long-lived assets based on the amount by which the carrying amount of such assets exceeds their fair values. Our measurement of fair value is generally based on an analysis of future discounted cash flows. In performing this analysis, we use the best information available in the circumstances, including reasonable and supportable assumptions and projections. The discounted cash flow analysis considers the likelihood of possible outcomes and is based on our best estimate of projected future cash flows. If necessary, we perform subsequent calculations to measure the amount of the impairment loss based on the excess of the carrying value over the fair value of the impaired assets. If market values for the assets were not available, we would calculate the fair value using the present value of estimated expected future discounted cash flows. The cash flow calculations, including the discount rate, would be based on management's best estimates, using appropriate assumptions and projections at the time. In June 2001, FASB issued FAS 142, "Goodwill and Other Intangible Assets." In October

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2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." We intend to implement both FAS 142 and FAS 144 beginning in the first quarter of fiscal 2003. See Note 1 for more information.

Concentration of Credit Risk

Intuit operates in markets that are highly competitive and rapidly changing. Significant technological changes, changes in customer requirements, the emergence of competitive products or services with new capabilities and other factors could negatively impact our operating results.

We are also subject to risks related to changes in the values of our marketable securities and private equity investments. See Note 3 for a discussion of risks associated with these assets. Our remaining investment portfolio is diversified and consists primarily of short-term investment-grade securities.

We sell a significant portion of our products through third-party resellers and distributors and, as a result, maintain one individually significant receivable balance with a major distributor. If the financial condition or operations of this distributor deteriorates substantially, our operating results could be adversely affected. We also face risks related to the collectibility of our trade accounts receivable. To appropriately manage this risk, we perform ongoing evaluations of customer credit. Generally, we do not require collateral. We maintain reserves for estimated credit losses and these losses have historically been within our expectations. However, since we cannot predict future changes in the financial stability of our customers, we cannot guarantee that our reserves will continue to be adequate.

In the normal course of our mortgage business, we enter into loan commitments to extend credit in order to meet the financing needs of our customers. Loan commitments are agreements to lend to a customer as long as all conditions specified in the contract are met. Commitments generally have fixed expiration dates or other termination clauses and may require the customer to pay a fee. We evaluate each customer's creditworthiness on a case-by-case basis.

Loan commitments subject us to market risks and credit risks. Market risk is the risk that interest rates may rise after a loan commitment is made. To offset this risk on conventional mortgage loans and government-insured loans that are in process, we utilize mandatory forward sale commitments. At October 31, 2001, we had \$259.9 million in mandatory forward sale commitments for future delivery of mortgages to Federal National Mortgage Association and Federal Home Loan Mortgage Corporation. Loan commitments, which are not reflected on the balance sheet, also involve credit risk relating to the customer. We use the same credit policies for making credit commitments as we do for the underlying loan product. See Note 5 for more information on loan commitments.

Recent Pronouncements

On June 29, 2001, the Financial Accounting Standards Board ("FASB") issued Statements of Financial Accounting Standards No. 141 (SFAS 141), "Business Combinations," and No. 142 (SFAS 142), "Goodwill and Other Intangible Assets."

SFAS 141 supersedes APB Opinion No. 16, "Business Combinations," and eliminates the pooling-of-interests method of accounting for business combinations, thus requiring that all business combinations be accounted for using the purchase method. The requirements of SFAS 141 apply to all business combinations initiated after June 30, 2001.

SFAS 142 supersedes APB Opinion No. 17, "Intangible Assets," and provides that goodwill and other intangible assets that have an indefinite useful life will no longer be amortized. However, these assets must be reviewed at least annually for impairment. SFAS 142 applies to all business combinations completed after June 30, 2001. For business combinations completed before July 1, 2001, we will adopt SFAS 142 effective August 1, 2002. We are currently evaluating the impact of SFAS 142 on our financial position and statement of operations. We expect the adoption of SFAS 142 to reduce our amortization of goodwill and intangible expense significantly, commencing with the first quarter of fiscal 2003. However, it is possible that in the future, we would incur less frequent, but larger, impairment charges related to the goodwill already recorded, as well as goodwill arising out of future acquisitions as we continue to expand our business.

In October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which applies to financial statements issued for fiscal years beginning after December 15, 2001. SFAS 144 supersedes FASB Statement 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets

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to Be Disposed Of,” and portions of APB Opinion 30, “Reporting the Results of Operations.” SFAS 144 provides a single accounting model for long-lived assets to be disposed of and significantly changes the criteria for classifying an asset as held-for-sale. Classification as held-for-sale is an important distinction since such assets are not depreciated and are stated at the lower of fair value or carrying amount. SFAS 144 also requires expected future operating losses from discontinued operations to be displayed in the period(s) in which the losses are incurred, rather than as of the measurement date as presently required. We do not expect the adoption of SFAS 144 to have a material impact on our consolidated financial statements.

Foreign Currency

The functional currency of all our foreign subsidiaries is the local currency. Assets and liabilities of our foreign subsidiaries are translated at the exchange rate on the balance sheet date. Revenue, costs and expenses are translated at average rates of exchange in effect during the year. We report translation gains and losses as a separate component of stockholders' equity. Net gains and losses resulting from foreign exchange transactions are included in the consolidated statement of operations and were immaterial in all periods presented.

2. Cash and Cash Equivalents and Short-Term Investments

The following schedule summarizes the estimated fair value of our cash and cash equivalents and short-term investments:

	July 31, 2001	October 31, 2001
<i>(In thousands)</i>		
Cash and cash equivalents:		
Cash	\$ 33,427	\$ 33,445
Certificate of deposits	5,600	5,720
Money market funds	406,077	370,879
Municipal bonds	5,000	5,000
	<u>\$ 450,104</u>	<u>\$ 415,044</u>
Short-term investments:		
Corporate notes	\$ 63,723	\$ 54,959
Municipal bonds	1,030,442	952,063
U.S. Government securities	25,140	42,259
	<u>\$1,119,305</u>	<u>\$1,049,281</u>

The following table outlines the estimated fair value of Intuit's available-for-sale debt securities held in short-term investments classified by the maturity date of the security:

	July 31, 2001	October 31, 2001
<i>(In thousands)</i>		
Due within one year	\$ 215,205	\$ 217,635
Due within two years	221,620	230,191
Due within three years	—	—
Due after three years	682,480	601,455
	<u>\$1,119,305</u>	<u>\$1,049,281</u>

[Table of Contents](#)**3. Marketable Securities and Other Investments**

We designated our investments in At Home Corporation (which does business as Excite@Home) and 724 Solutions as trading securities and fluctuations in the market value of these shares have been reported in the consolidated statement of operations. We sold all of the remaining shares of these securities during the quarter. The cost basis reflects adjustments for other than temporary impairments in value as well as sales of securities. We held the following available-for-sale securities at July 31, 2001 and October 31, 2001:

<i>(In thousands)</i>	<u>Cost Basis</u>	<u>Gross Unrealized</u>		<u>Estimated Fair Value</u>
		<u>Gains</u>	<u>Losses</u>	
<u>July 31, 2001</u>				
Checkfree Corporation common stock	\$35,621	\$37,215	\$ —	\$72,836
S1 Corporation common stock	7,741	2,714	—	10,455
	<u>\$43,362</u>	<u>\$39,929</u>	<u>\$ —</u>	<u>\$83,291</u>
<u>October 31, 2001</u>				
Checkfree Corporation common stock	\$35,621	\$ —	\$(1,618)	\$34,003
S1 Corporation common stock	7,238	243	—	7,481
	<u>\$42,859</u>	<u>\$ 243</u>	<u>\$(1,618)</u>	<u>\$41,484</u>

Our marketable securities, which are quoted on the Nasdaq Stock Market, are stocks of high technology companies whose market prices have been extremely volatile and have declined substantially during the past two years. These declines have resulted, and could continue to result, in a material reduction in the carrying value of these assets. This has a negative impact on our operating results. If our available-for-sale securities experience further declines in fair value that are considered other than temporary, we will reflect the additional loss in our consolidated statement of operations in the period when the subsequent impairment becomes apparent.

The fair values of our long-term investments have also declined substantially since our initial investments due to the volatility and economic downturn in the high technology industry.

During the quarter ended October 31, 2001, we sold 50,000 shares of S1 Corporation and recognized realized gains of \$0.2 million. This gain was offset by a realized loss of \$1.9 million recorded in connection with the sale of our options to purchase additional shares of S1. In addition, we sold 37,906 shares of 724 Solutions and 1,533,504 shares of Excite@Home and recognized aggregate realized losses of \$0.1 million during the quarter ended October 31, 2001. We recorded a loss of \$3.3 million for other-than-temporary declines in the value of our other investments and recognized losses of \$1.5 million for our trading securities and \$5.7 million for our other long-term investments to reflect the declines in valuation. This resulted in combined net losses on marketable securities and other investments of \$12.3 million for the quarter ended October 31, 2001.

During fiscal 2001, we adopted FAS 133, "Accounting for Derivative Instruments and Hedging Activities," which establishes accounting and reporting standards for derivative instruments and hedging activities. It requires us to recognize all derivatives as either assets or liabilities on the balance sheet and record those instruments at fair value. In May 1999, we completed a \$50 million investment (970,813 shares) in Security First Technologies, now known as S1 Corporation ("S1"). In connection with this agreement, we received options to purchase 4.8 million additional shares of S1 common stock, at a per-share purchase price of \$51.50. These options contained a net-exercise feature. In August 2000, we recorded the cumulative effect of the change in accounting for derivatives for our 4.8 million S1 options held in long-term investments. This resulted in a one-time cumulative effect of \$14.3 million, net of income taxes totaling \$9.5 million. FAS 133 requires the derivatives to be carried at fair value, so subsequent fluctuations in the fair value of these options were included in our net loss. During the first quarter of fiscal 2001 these fluctuations resulted in a loss of \$7.6 million net of income taxes, which decreased the basic and diluted net loss per share for the period by \$0.04 per share. During the first quarter of fiscal 2002, we sold these options and recorded a realized loss of \$1.9 million.

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Goodwill and purchased intangible assets consisted of the following:

	Life in Years	Net balance at	
		July 31, 2001	October 31, 2001
<i>(In thousands)</i>			
Goodwill	3-5	\$326,986	\$294,149
Customer lists	3-5	53,423	48,533
Covenant not to compete	3-5	3,060	2,730
Purchased technology	1-5	24,078	22,390
Assembled workforce	2-5	3,598	3,139
Trade names and logos	1-15	4,189	3,829
		<u>\$415,334</u>	<u>\$374,770</u>

Balances presented above are net of total accumulated amortization of \$598.1 million and \$641.5 million at July 31, 2001 and October 31, 2001, respectively.

5. Loan Commitments

The following table summarizes loan commitments to extend credit at July 31, 2001 and October 31, 2001:

	July 31, 2001		October 31, 2001	
	Fixed-rate	Variable-rate	Fixed-rate	Variable-rate
<i>(In thousands)</i>				
Conventional prime loans	\$303,100	\$72,500	\$619,100	\$136,600
Sub-prime loans	4,300	1,200	3,100	1,300
	<u>\$307,400</u>	<u>\$73,700</u>	<u>\$622,200</u>	<u>\$137,900</u>

6. Per Share Data

We compute basic income or loss per share using the weighted average number of common shares outstanding during the period. We compute diluted income or loss per share using the weighted average number of common and dilutive common equivalent shares outstanding during the period. Common equivalent shares consist of the shares issuable upon the exercise of stock options under the treasury stock method. In loss periods, basic and dilutive loss per share is identical since the impact of common equivalent shares is anti-dilutive. We excluded options to purchase 15.9 million shares of common stock in our diluted per-share computation for the quarter ended October 31, 2001 and options to purchase 12.5 million shares of common stock in the computation for the quarter ended October 31, 2000, since we experienced losses in those quarters.

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7. Comprehensive Net Income

SFAS 130, "Reporting Comprehensive Income," establishes standards for reporting and displaying comprehensive net income and its components in stockholders' equity. However, it has no impact on our net income or loss as presented in our financial statements. SFAS 130 requires foreign currency translation adjustments and changes in the fair value of available-for-sale securities to be included in comprehensive income.

The components of comprehensive net income, net of income taxes, are as follows:

	Marketable Securities	Short-term Investments	Foreign Currency Translation	Total
October 31, 2000				
<i>(In thousands)</i>				
Beginning balance gain, net of income taxes	\$58,561	\$ —	\$ (2,975)	\$55,586
Unrealized loss, net of income tax benefit of \$15,786	(23,680)	—	—	(23,680)
Reclassification adjustment for realized losses included in net loss, net of income tax benefit of \$6,596	(9,894)	—	—	(9,894)
Translation adjustment loss	—	—	(63)	(63)
Ending balance, net of income tax benefit of \$22,382	\$ 24,987	\$ —	\$(3,038)	\$ 21,949
October 31, 2001				
<i>(In thousands)</i>				
Beginning balance gain, net of income taxes	\$ 23,958	\$4,686	\$ (464)	\$ 28,180
Unrealized loss, net of income tax benefit of \$16,451 and \$534	(24,677)	(802)	—	(25,479)
Reclassification adjustment for realized losses included in net loss, net of income tax tax benefit of \$71	(106)	—	—	(106)
Translation adjustment loss	—	—	(759)	(759)
Ending balance, net of income tax benefit of \$17,056	\$ (825)	\$3,884	\$(1,223)	\$ 1,836

8. Acquisition-Related Charges

We classify the following expenses as acquisition-related charges in our consolidated statements of operations:

	Quarter Ended	
	October 31, 2000	October 31, 2001
<i>(In thousands)</i>		
Amortization of goodwill	\$32,664	\$32,749
Amortization of purchased intangibles	5,781	6,795
Amortization of acquisition-related deferred compensation	1,137	1,543
Other	97	—
	\$39,679	\$41,087

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9. Loss on Impairment of Long-lived Asset

In connection with the sale of our Quicken Bill Manager business in May 2001, we recorded a \$27 million long-term asset related to future consideration from the purchasing company, which was recorded as "other assets" on the balance sheet. We are entitled to receive from the purchaser either (i) shares of its common stock in February 2002, (ii) cash payments of a minimum of \$37 million paid in four equal annual installments of a minimum of \$9.3 million per year, beginning in February 2002, or (iii) a combination of shares and cash, beginning in February 2002. As discussed in Note 1, we regularly perform reviews to determine if the carrying values of our long-lived assets are impaired. The reviews look for facts or circumstances, either internal or external, that indicate that the carrying value of an asset cannot be recovered. During the quarter ended October 31, 2001, events and circumstances indicated impairment of this asset. These indicators included the deterioration of the purchasing company's financial position (including cash flows and liquidity) and the decreased likelihood that it will receive future funding. We considered the implied fair value of our investment based on the purchasing company's most recent round of planned funding as well as the fair value of our investment if funding were received. Based on our analysis as described above, we recorded a charge of \$27 million to reduce the carrying value of this asset its estimated fair value of zero.

10. Borrowings

As of October 31, 2001, we had one mortgage line of credit, which is reflected in escrow liabilities. Advances may be drawn for working capital and sub-prime and conventional prime mortgage loans, with the maximum amount based on a formula computation. Advances are due on demand and are collateralized by residential first and second mortgages. Interest is paid on a monthly basis. The maximum outstanding balance permitted under this line is \$20 million. As of October 31, 2001, we had no balance outstanding under this line of credit.

Drafts payable represent funds advanced for mortgages originated, which have not yet been drawn against the line of credit.

11. Industry Segment and Geographic Information

SFAS 131, "*Disclosures about Segments of an Enterprise and Related Information*," establishes standards for companies to disclose certain information about operating segments in the company's financial reports. Consistent with SFAS 131, we have determined our five operating segments, described below, based on factors such as how our operations are managed and how results are viewed by our chief operating decision maker.

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Intuit does not track assets by operating segments. Consequently, we do not disclose assets by operating segments. The following unaudited results for the quarters ended October 31, 2000 and 2001 are broken out by our operating segments. Prior quarter information has been reclassified to conform to the current quarter financial presentation for comparability.

Quarter ended October 31, 2000 <i>(In thousands)</i>	Small Business Division	Tax Division	Personal Finance Division	Quicken Loans Division	Global Business Division	Other (1)	Consolidated
Product revenue	\$ 69,148	\$ 11,016	\$29,915	\$ —	\$ 9,744	\$ —	\$ 119,823
Service revenue	18,837	2,335	1,747	16,952	7,669	—	47,540
Other revenue	4,767	—	14,904	—	488	—	20,159
Total net revenue	92,752	13,351	46,566	16,952	17,901	—	187,522
Segment operating income (loss)	24,714	(30,105)	11,199	239	(1,568)	—	4,479
Common expenses	—	—	—	—	—	(53,008)	(53,008)
Sub-total operating income (loss)	24,714	(30,105)	11,199	239	(1,568)	(53,008)	(48,529)
Realized net losses on marketable securities	—	—	—	—	—	(3,868)	(3,868)
Acquisition-related costs	—	—	—	—	—	(42,666)	(42,666)
Interest and other income and expense, net	—	—	—	—	—	16,118	16,118
Net income (loss) before tax	\$ 24,714	\$(30,105)	\$11,199	\$ 239	\$(1,568)	\$(83,424)	\$(78,945)
Quarter ended October 31, 2001 <i>(In thousands)</i>	Small Business Division	Tax Division	Personal Finance Division	Quicken Loans Division	Global Business Division	Other (1)	Consolidated
Product revenue	\$ 73,201	\$ 8,143	\$24,903	\$ —	\$ 8,336	\$ —	114,583
Service revenue	26,364	2,583	2,810	40,039	4,998	—	76,794
Other revenue	2,165	204	12,082	—	2,938	—	17,389
Total net revenue	101,730	10,930	39,795	40,039	16,272	—	208,766
Segment operating income (loss)	18,408	(35,141)	12,175	13,006	(2,814)	—	5,634
Common expenses	—	—	—	—	—	(58,601)	(58,601)
Sub-total operating income (loss)	18,408	(35,141)	12,175	13,006	(2,814)	(58,601)	(52,967)
Realized net losses on marketable securities	—	—	—	—	—	(12,254)	(12,254)
Acquisition-related costs	—	—	—	—	—	(42,793)	(42,793)
Loss on impairment of long-lived asset	—	—	—	—	—	(27,000)	(27,000)
Interest and other income and expense, net	—	—	—	—	—	11,797	11,797
Net income (loss) before tax	\$ 18,408	\$(35,141)	\$12,175	\$13,006	\$(2,814)	\$(128,851)	\$(123,217)

(1) Other includes reconciling items such as acquisition-related costs, including amortization of purchased software and charge for purchased research and development, and other common costs not allocated to specific segments.

12. Notes Payable and Commitments

In March 2001, our Japanese subsidiary, Intuit KK, refinanced its one-year loan agreement with a Japanese bank for approximately \$30.6 million. The loan is denominated in Japanese yen. The interest rate is variable based on the Tokyo inter-bank offered rate or the short-term prime rate offered in Japan. At October 31, 2001, the rate was approximately 0.56%. The fair value of the loan approximates cost as the interest rate on the borrowings is adjusted periodically to reflect market rates (which are currently significantly lower in Japan than in the United States). We are obligated to pay interest only on the loan through March 2002.

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13. Income Taxes

Intuit computes the provision (benefit) for income taxes by applying the estimated annual effective tax rate to recurring operations and other taxable items. Our effective tax rate differs from the federal statutory rate primarily because of tax credits, tax exempt interest income, state taxes, non-deductible impairment charges and goodwill amortization and certain foreign losses.

14. Stockholders' Equity

Stock Repurchase Program

In May 2001, Intuit's Board of Directors authorized the company to repurchase up to \$500 million of common stock from time to time in the open market over a three-year period. The stock repurchase program is intended to help offset some of the dilution resulting from the issuance of shares under Intuit's employee stock plans. As of October 31, 2001, we had repurchased approximately 738,500 shares of our common stock under this program (which became treasury shares) for an aggregate cost of approximately \$29.3 million. From the inception of the stock repurchase program through October 31, 2001 we reissued 169,742 shares of treasury stock in connection with exercises of employee stock options, which were valued at \$8.5 million (using Intuit's average purchase price per share).

Repurchases through October 31, 2001 have had no significant impact upon our income or loss per share. Intuit intends to continue using its cash and cash equivalents to fund these repurchases.

15. Litigation

On March 3, 2000, a class action lawsuit, Bruce v. Intuit Inc., was filed in the United States District Court, Central District of California, Eastern Division. Two virtually identical lawsuits were later filed: Rubin v. Intuit Inc., was filed on March 8, 2000 in the United States District Court, Southern District of New York and Newby v. Intuit Inc. was filed on April 27, 2000, in the United States District Court, Central District of California, Eastern Division. The Bruce and Newby lawsuits were consolidated into one lawsuit, In re Intuit Privacy Litigation, filed on July 28, 2000 in the United States District Court of California, Eastern Division. Following Intuit's successful motion to dismiss several of the claims, an amended complaint was filed on May 2, 2001. A similar lawsuit, Almanza v. Intuit Inc. was filed on March 22, 2000 in the Superior Court of the State of California, San Bernardino County, Rancho Cucamonga Division. An amended complaint in the Almanza suit was filed on October 26, 2000. These purported class actions allege violations of various federal and California statutes and common law claims for invasion of privacy based upon the alleged intentional disclosure to third parties of personal and private customer information entered at Intuit's Quicken.com Web site. The complaints seek injunctive relief, orders to disgorge profits related to the alleged acts, and statutory and other damages. Intuit believes these lawsuits are without merit and intends to defend the litigation vigorously.

Intuit is subject to other legal proceedings, as well as demands, claims and threatened litigation, that arise in the normal course of our business. We currently believe that the ultimate amount of liability, if any, for any pending claims of any type (either alone or combined) will not materially affect our financial position, results of operations or liquidity. However, the ultimate outcome of any litigation is uncertain, and either unfavorable or favorable outcomes could have a material negative impact. Regardless of outcome, litigation can have an adverse impact on Intuit because of defense costs, diversion of management resources and other factors.

16. Subsequent events

On November 2, 2001, we acquired substantially all of the assets of OMware, Inc. ("OMware"), a leading provider of construction management software solutions, pursuant to an Asset Purchase Agreement signed on August 22, 2001. Its principal product helps construction companies handle accounting, estimating, job costing and project management. OMware's employees, products and services comprise Intuit's new construction business solutions division, headquartered in Sebastopol, California. Under the terms of the agreement, Intuit acquired substantially all of the assets of OMware for up to approximately \$42 million in Intuit stock, with \$34 million issued at the closing of the transaction, and up to \$8 million to be issued contingent upon the achievement of certain future performance objectives by the division.

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

Cautions about Forward Looking Statements

Throughout this Form 10-Q, you will find "forward-looking" statements, or statements about events or circumstances that have not yet occurred. In some cases, you can identify these statements by forward-looking words such as "may," "will," "should," "plans," "believes," "predicts," or "continue," and other similar terms. These statements may include, among other things, projections of our future financial performance, our anticipated growth, our strategies and anticipated trends in our businesses. These forward-looking statements involve risks and uncertainties and our actual results could differ materially. We cannot guarantee future results or that current expectations will be accurate, and we will not update information in this Form 10-Q if any forward-looking statement later turns out to be inaccurate. The important factors that could cause our results to differ are discussed under the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations — Risks That Could Affect Future Results," at the end of Item 2. You should read Item 2 in conjunction with the Consolidated Financial Statements and related Notes in Part I, Item 1 of this Form 10-Q and our fiscal 2001 Form 10-K. We encourage you to read these sections carefully.

Overview

Intuit's mission is to revolutionize how people manage their financial lives, and how small businesses and accounting professionals manage their businesses. We are the leading provider of small business accounting, tax preparation and personal finance software products and Web-based services that simplify complex financial tasks for consumers, small businesses and accounting professionals. Our principal products and services include Quicken®, QuickBooks®, Quicken TurboTax®, ProSeries®, Lacerte® and Quicken LoansSM.

Our businesses are highly seasonal – particularly our tax business, but also small business and personal finance to a lesser extent. Sales of tax products are heavily concentrated in the period from November through April. Sales of personal finance and small business products are typically strongest during the calendar year-end holiday buying season and the beginning of the calendar year and therefore major product launches for these products usually occur in the fall or early winter to take advantage of these customer buying patterns. These seasonal patterns mean that our total net revenue is usually highest during our second and third fiscal quarters. We typically report a loss in our first and fourth quarters when revenue from our tax businesses and other seasonal businesses is minimal, but operating expenses to develop new products and services continue at relatively consistent levels. Operating results can also fluctuate for other reasons such as changes in product release dates, non-recurring events such as acquisitions, dispositions, gains and losses from marketable securities, and product price cuts in quarters with relatively high fixed expenses.

[Table of Contents](#)**Results of Operations**

The following total net revenue discussion is categorized by our business divisions. The table below shows each business division's percentage of our total net revenue for the quarters ended October 31, 2000 and 2001. Information for the first quarter of fiscal 2001 has been reclassified to conform to the fiscal 2002 first quarter financial presentation for comparability. See Note 11 of the financial statements for additional information about our business segments, which correspond to the business divisions described below.

<i>Total Net Revenue</i>	Quarter Ended 10/31/00	% Total Net Revenue	Quarter Ended 10/31/01	% Total Net Revenue	% Change
<i>(Dollars in thousands)</i>					
Small Business	\$ 92,752	49%	\$ 101,730	49%	10%
Tax	13,351	7%	10,930	5%	(18%)
Personal Finance	46,566	25%	39,795	19%	(15%)
Quicken Loans	16,952	9%	40,039	19%	136%
Global Business	17,901	10%	16,272	8%	(9%)
Total net revenue	\$ 187,522	100%	\$ 208,766	100%	11%

Small Business Division.

Small Business Division revenue is derived primarily from QuickBooks desktop products, payroll products and services, financial supplies products, and the QuickBooks Support Network.

Overall, revenue for the division was up 10% for the quarter ended October 31, 2001 compared to the same period in the prior year. Payroll revenue grew 43%, due to higher unit sales, as well as higher average selling prices resulting from price increases for all three of our payroll offerings. Full year revenue growth for payroll is expected to be slower than the first quarter year-over-year growth. Revenue for our QuickBooks Support Network and our financial supplies business also increased in the quarter ended October 31, 2001 compared to the same period in the prior year.

These increases were partially offset by a 15% decline in QuickBooks revenue. The decline was primarily the result of lower unit sales compared to the first quarter of fiscal 2001, as the overall economic environment resulted in a lower new customer acquisition rate. This was partially offset by increased average selling prices, as well as a slight increase in upgrades by current customers.

Tax Division.

Tax Division revenue is derived primarily from Quicken TurboTax federal and state consumer desktop tax preparation products, electronic tax filing services, Quicken TurboTax for the Web online tax preparation services and ProSeries and Lacerte professional tax preparation products.

Due to the seasonal nature of our tax business, the first fiscal quarter typically generates only nominal revenue from tax products and services compared to the second and third quarters of the fiscal year. Overall, Tax Division revenue for the quarter ended October 31, 2001 decreased by 18% compared to the same period last year, but we do not believe this is indicative of our revenue for the full year. The development and launch of our consumer tax products for the 2001 tax year was completed on schedule, and products reached retail shelves in late November. However, there are still ongoing risks associated with our tax business, including intense competition that could result in lower average selling prices and/or a decline in our share of sales in the retail channel. While we have undertaken product development and marketing efforts intended to address competitive pressures, we will not be able to report revenues and operating results for the entire tax season until late in the fiscal year.

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Personal Finance Division.

Personal Finance Division revenue comes primarily from Quicken desktop products, advertising (both Web-based on Quicken.com, as well as in-product advertising) and online transactions.

Overall, Personal Finance Division revenue was down 15% for the quarter ended October 31, 2001 compared to the same quarter a year ago. This decline was attributable to an 18% decline in revenue for our Quicken desktop products (reflecting a 17% decline in unit sales), as well as a 36% decline in Quicken.com advertising revenue. The decline in Quicken desktop revenue reflects the continuing maturation of the personal finance desktop software category. Advertising revenue continued to decline, reflecting the industry trend of reduced advertising spending by purchasers of Internet advertising. We experienced continued growth in our online transaction business, which partially offset these declines.

Quicken Loans Division.

Quicken Loans Division revenue comes primarily from gains on the sale of loans and post-closing servicing arrangements in bulk to participating financial institutions, and from loan fees we receive for originating loans.

Revenue for the Quicken Loans Division increased by 136% for the quarter ended October 31, 2001 compared to the same quarter a year ago. The growth was primarily due to two factors. First, the volume of loans sold increased significantly, reflecting increased consumer demand to refinance and originate mortgage loans in light of declining interest rates. Second, our average revenue per loan increased, reflecting both higher average gains on sales of loans and higher average loan fees as the consumer demand for loans increased. We expect the revenue growth rates experienced by Quicken Loans to be lower in the third and fourth quarters of fiscal 2002, both on a year-over-year basis and on a sequential quarter basis. Mortgage rate increases, the impact of the economic climate on the housing market, business operation risks and other factors could negatively impact the volume of applications and closed loans, particularly our most mortgage-rate sensitive products such as conventional refinancing loans. See "Interest Rate Risk" in Item 3, below.

Global Business Division.

Global Business Division revenue comes primarily from Yayoi small business products in Japan, and QuickBooks, Quicken and QuickTax products in Canada.

Overall, Global Business Division revenue decreased 9% for the quarter ended October 31, 2001 compared to the same quarter last year. Revenue from Canada decreased by 17%. This decrease was partially attributable to a year-over-year decrease in revenue for Canada's localized version of QuickBooks reflecting lower unit sales compared to the prior quarter, as well as declining Quicken sales in Canada. These declines were partially offset by increased revenue from Japan for our Yayoi small business accounting software, as well as increased revenue generated from maintenance contracts in Japan.

<i>Cost of Revenue</i>	Quarter Ended 10/31/00	% Total Net Revenue	% of Related Revenue	Quarter Ended 10/31/01	% Total Net Revenue	% of Related Revenue	% Change
<i>(Dollars in thousands)</i>							
Cost of revenue:							
Cost of products	\$ 29,300	16%	24%	\$ 31,926	15%	28%	9%
Cost of services	30,955	16%	65%	33,880	16%	44%	9%
Cost of other revenue	6,639	3%	33%	6,546	3%	38%	(1%)
Amortization of purchased software	2,987	2%	—	1,706	1%	—	(43%)
Total cost of revenue	\$ 69,881	37%	—	\$ 74,058	35%	—	6%

There are four components of our cost of revenue: (i) cost of products, which includes the direct cost of manufacturing and shipping desktop software products; (ii) cost of services, which reflects direct costs associated with providing services, including data center costs relating to delivering Internet-based services; (iii) cost of other

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revenue, which includes costs associated with providing advertising and marketing and online transactions; and (iv) amortization of purchased software, which represents the cost of depreciating products or services we obtained through acquisitions over their useful lives.

Cost of products as a percentage of product revenue increased to 28% for the quarter ended October 31, 2001, compared to 24% for the same period in the prior year. This increase was attributable in part to changes in our third-party manufacturing and distribution relationships. In the first quarter of fiscal 2001, our primary third-party manufacturing contract reflected a 100% variable cost model. We now have a fixed and variable cost model, with the fixed costs spread equally among our four fiscal quarters. Because of our seasonally low revenue in the first quarter, the fixed costs this year resulted in an increase in cost of products as a percentage of product revenue compared to last year. However, we expect that this new cost model will result in lower cost of products as a percentage of product revenue for the full fiscal year and for the longer term. The increase this year also reflected incremental costs to implement a new third-party retail distribution relationship for our shrink-wrap software products.

Cost of services as a percentage of service revenue decreased to 44% for the quarter ended October 31, 2001, compared to 65% for the same period in the prior year. This improvement was driven primarily by our Quicken Loans Division, which experienced a significantly lower average cost per loan. The decline in average cost per loan reflected greater operational efficiencies, as well as a significant increase in total loan revenue being spread over a fixed cost base that increased only slightly. Our payroll business, which experienced revenue growth over a relatively fixed cost base, also contributed to this decrease.

Cost of other revenue as a percentage of other revenue increased to 38% for the quarter ended October 31, 2001 compared to 33% for the same period in the prior year. This increase was primarily due to increased data center costs related to our Personal Finance Division's online transaction businesses.

Amortization of purchased software was not significant in either period.

<i>Operating Expenses</i>	Quarter Ended 10/31/00	% Total Net Revenue	Quarter Ended 10/31/01	% Total Net Revenue	% Change
<i>(Dollars in thousands)</i>					
Customer service and technical support	\$ 32,396	17%	\$ 38,953	18%	20%
Selling and marketing	61,100	33%	71,895	34%	18%
Research and development	47,878	26%	49,940	24%	4%
General and administrative	27,783	15%	28,593	14%	3%
Acquisition-related charges	39,679	21%	41,087	20%	4%
Loss on impairment of long-lived asset	—	—	27,000	13%	—
Totals	\$ 208,836	112%	\$ 257,468	123%	23%

Customer Service and Technical Support.

Customer service and technical support expenses were 18% of total net revenue for the quarter ended October 31, 2001, compared to 17% for the same period of the prior year. This increase was primarily attributable to the direct sales and support costs associated with converting the customers of Tax and Accounting Software Corporation ("TAASC"), which we acquired in April 2001, to our ProSeries and Lacerte professional tax products.

Selling and Marketing.

Selling and marketing expenses were 34% of total net revenue for the quarter ended October 31, 2001, compared to 33% for the same period of the prior year. The increase was attributable in part to the expansion of our small business marketing programs, as we began to execute on our recently announced "Right for My Business" strategy. Specifically, we increased incremental selling and marketing expenses in connection with the launch of two new QuickBooks products (QuickBooks Premier and QuickBooks Premier: Accountant Edition), as well as the Intuit Developer Network, which enables third-party developers to provide integrated value-added software solutions to QuickBooks Pro and QuickBooks Premier customers.

Research and Development.

Research and development expenses were 24% of total net revenue for the quarter ended October 31, 2001, compared to 26% of revenue for the same period of the prior year. We continued to invest in the initial elements of

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our Right for My Business strategy, including new QuickBooks products and the Intuit Developer Network. This was more than offset by lower research and development investments in Quicken.com as well as more automated and efficient product development processes for our recently launched QuickBooks 2002 products. During the remainder of fiscal 2002, we expect to continue significant investments in research and development, particularly in the small business area.

General and Administrative.

General and administrative expenses were 14% of total net revenue for the quarter ended October 31, 2001, compared to 15% for the same period of the prior year. The decrease as a percentage of revenue was primarily due to a decrease in bad debt charges compared to the first quarter a year ago, when we had greater receivable write offs due to the deteriorating financial condition of many Internet companies with whom we did business.

Acquisition-Related Charges.

Acquisition-related charges include the amortization of goodwill, purchased intangible assets and deferred compensation expenses arising from acquisitions, and impairment charges relating to acquired assets. These costs increased to \$41.1 million for the quarter ended October 31, 2001, compared to \$39.7 million for the same period of the prior year. The increase was primarily attributable to the amortization of intangibles associated with our acquisitions of EmployeeMatters in December 2000 and TAASC in April of 2001. Amortization expense related to completed acquisitions will continue to have a negative impact on our operating results in future periods. If we complete additional acquisitions or if we are required to accelerate amortization or take impairment charges in the future, there would be an incremental negative impact on operating results. See "Risks That Could Affect Future Results."

Loss on Impairment of Long-lived Asset.

The loss on impairment of long-lived asset relates to the impairment of assets we received in connection with the sale of our Quicken Bill Manager business in May 2001. See Note 9 of the financial statements. We regularly perform reviews to determine if the carrying values of our long-lived assets are impaired. During the quarter ended October 31, 2001, we recorded a charge of \$27 million to reduce the carrying value of this asset to zero.

Non-Operating Income and Expenses

Interest and Other Income and Expense, Net

For the quarter ended October 31, 2001, interest and other income and expense, net, decreased to \$11.8 million compared to \$16.1 million for the same period a year ago due to a sharp decrease in the interest rates we earned on our cash and short-term investment balances.

Net Losses on Marketable Securities and Other Investments

For the quarter ended October 31, 2001, we recorded a loss from marketable securities and other investments, net of taxes, of \$12.3 million, compared to a loss of \$3.9 million for the same period a year ago. See Note 3 of the financial statements. The \$12.3 million loss in the quarter ended October 31, 2001 included, among other things, a \$7.2 million loss attributable to declines during the quarter in the market prices of Excite@Home, 724 Solutions and our S-1 options, and a loss of \$3.3 million for other-than-temporary declines in value relating to certain long-term investments. We considered our shares of Excite@Home and 724 Solutions common stock as trading securities. As a result, market fluctuations were reflected in our consolidated statement of operations for the quarter. However, we sold all of our remaining shares of these securities, as well as our S-1 options, during the quarter. As of October 31, 2001, we continued to hold marketable securities and private investments valued at approximately \$56 million on our balance sheet, down from approximately \$109 million a year ago due to sales and write-downs. We review the values of our investments each quarter and make adjustments as appropriate. If the value of these remaining securities continues to decline significantly in the future, it would have a negative impact on our financial results.

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Income Taxes

For the quarter ended October 31, 2001, we recorded an income tax benefit of \$30.8 million on a pretax loss of \$123.2 million, resulting in an effective tax rate of 25%. This compares to an income tax benefit of \$30.9 million on a pretax loss of \$78.9 million for the same period of the prior year, resulting in an effective tax rate of 39%. The difference in the effective tax rate for the quarter ended October 31, 2001 compared to the same quarter a year ago was primarily due to the tax effect of the non-deductible long-lived asset impairment charge in the first quarter of this fiscal year. At October 31, 2001, we recorded a valuation allowance of \$11.4 million for tax assets of our global subsidiaries based on management's assessment that we may not receive the benefit of certain loss carryforwards.

Cumulative Effect of Change in Accounting For Derivatives, Net

For the quarter ended October 31, 2000, we recorded a cumulative gain of \$14.3 million, net of taxes, as a result of a change in accounting principles that recognized the cumulative effect of the fair value of our S1 options as of August 1, 2000. See Note 3 of the financial statements. Subsequent fluctuations in the fair value of these options were included in our net income or net loss.

Liquidity and Capital Resources

At October 31, 2001, our cash and cash equivalents and short-term investments totaled \$1,464.3 million, a \$105.1 million decrease from July 31, 2001.

We used \$90.9 million in cash for our operations during the quarter ended October 31, 2001. The primary components of cash used by operations were a net loss of \$92.4 million, an increase of \$93.6 million in mortgage loans as a result of increased loan volumes for the Quicken Loans division, as well as a \$38.1 million reduction in our income taxes payable. These were partially offset by adjustments made for non-cash expenses, including acquisition-related charges and deferred compensation of \$43.4 million, an impairment loss on long-lived asset of \$27.0 million, depreciation charges of \$16.1 million and a loss of \$12.3 million on marketable securities and other investments.

Investing activities provided \$55.0 million in cash for the quarter ended October 31, 2001. We received proceeds of \$418.6 million from the maturity and sale of certain short-term investments, which was partially offset by purchases of short-term investments of \$347.5 million. As a result of our continued investment in information systems and infrastructure, we also purchased property and equipment of \$16.3 million during the quarter.

Financing activities provided \$1.5 million for the quarter ended October 31, 2001, primarily attributable to proceeds of \$22.0 million received from the issuance of common stock under employee stock plans. This was partially offset by the use of \$21.1 million for our stock repurchase program.

In the normal course of business, we enter into leases for new or expanded facilities in both domestic and global locations. We also evaluate, on an ongoing basis, the merits of acquiring technology or businesses, or establishing strategic relationships with and investing in other companies. We may decide to use cash and cash equivalents to fund such activities in the future. In May 2001, our Board of Directors authorized a stock repurchase program covering up to \$500 million of common stock over a three-year period. As of October 31, 2001, we have repurchased \$29.3 million of common stock under the program. See Note 14 of the financial statements.

We believe that our cash and cash equivalents and short-term investments will be sufficient to meet anticipated seasonal working capital and capital expenditure requirements for at least the next twelve months.

Risks That Could Affect Future Results

The factors discussed below are cautionary statements that identify important factors that could cause actual results to differ materially from those anticipated in the forward-looking statements in this Form 10-Q. Our fiscal 2001 Form 10-K contains additional details about these risks, as well as other risks that could affect future results.

Our revenue and earnings are highly seasonal, which causes significant quarterly fluctuations in our revenue and net income. Several of our businesses are highly seasonal – particularly our tax business, but also small business and personal finance to a lesser extent. This causes significant quarterly fluctuations in our financial results. Revenue and operating results are usually strongest during the second and third fiscal quarters ending January 31 and April

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30. We typically experience lower revenues, and significant operating losses, in the first and fourth quarters ending October 31 and July 31.

Acquisition-related costs can cause significant fluctuation in our net income. Our acquisitions have resulted in significant expenses, including amortization of purchased software (which is reflected in cost of revenue), as well as charges for in-process research and development and amortization of goodwill, purchased intangibles and deferred compensation (which are reflected in operating expenses). Total acquisition-related costs in the categories identified above were \$100.7 million in fiscal 1999, \$168.1 million in fiscal 2000, \$263.4 million in fiscal 2001 (including charges of \$78.7 million to write down the long-lived intangible assets related to three acquisitions), and \$42.8 million in the first quarter of fiscal 2002. Additional acquisitions, and any additional impairment of the value of purchased assets, could have a significant negative impact on future operating results.

Gains and losses related to marketable securities and other investments can cause significant fluctuations in our net income. Our investment activities have had a significant impact on our net income. We recorded pre-tax net gains from marketable securities and other investments of \$579.2 million in fiscal 1999 and \$481.1 million in fiscal 2000 and pre-tax net losses of \$98.1 million in fiscal 2001 and \$12.3 million in the first quarter of fiscal 2002. Any additional significant long-term declines in value of these securities could reduce our net income in future periods.

Recent changes to Financial Accounting Standards Board guidelines relating to accounting for goodwill could make our acquisition-related charges less predictable in any given reporting period. The FASB recently adopted a new standard for accounting for goodwill acquired in a business combination. It continues to require recognition of goodwill as an asset but does not permit amortization of goodwill as previously required. Under the new statement, goodwill is separately tested for impairment using a fair-value-based approach when an event occurs indicating the potential for impairment. The shift from an amortization approach to an impairment approach applies to all acquisitions completed after June 30, 2001. Starting with our adoption of the new standard, which we expect will be in the first quarter of fiscal 2003, it will also apply to previously recorded goodwill. When we adopt the new standard, our goodwill amortization charges will cease. However, it is possible that in the future, we would incur less frequent, but larger, impairment charges related to the goodwill already recorded, as well as goodwill arising out of future acquisitions as we continue to expand our business.

A general decline in economic conditions could lead to reduced demand for our products and services. The recent downturn in general economic conditions has led to reduced demand for a variety of goods and services, including many technology products, and we believe the economic decline was partially responsible for slower than expected growth in our Small Business Division since the beginning of fiscal 2001. If conditions continue to decline, or fail to improve, in geographic areas that are significant to us, such as the United States, Canada and Japan, we could see a significant decrease in the overall demand for our products and services that could harm our operating results.

It is unlikely that the revenue and profit growth rates experienced by our Quicken Loans Division during fiscal 2001 and the first quarter of fiscal 2002 will be sustainable long-term, either on a year-over-year basis or on a sequential quarter basis. Mortgage rate increases, the impact of the economic climate on the housing market, business operation risks and other factors could result in significantly lower revenue and profit growth for our mortgage business. Increases in mortgage interest rates and other interest rates adversely affected our mortgage business during fiscal 2000, contributing to a significant revenue decline from fiscal 1999 to fiscal 2000. Conversely, declines in mortgage interest rates during fiscal 2001 and the first quarter of fiscal 2002 had a positive impact on revenue. If mortgage rates rise again, this could negatively impact the volume of applications and closed loans, particularly our most mortgage-rate sensitive products such as conventional refinancing loans. Fluctuations in non-mortgage rates also create risks with respect to the loans on our balance sheet and impact our cost of funds to provide loans. In addition, our ability to successfully streamline the online application, approval, and closing process will have a significant impact on our ability to attract customers to our mortgage service, and on our ability to continue increasing the percentage of our mortgage revenue generated through the online channel compared to branch offices. We must also maintain relationships with certain banks and other third parties who we rely on to provide access to capital, and later, purchase and service the loans. If we are unable to maintain key relationships, or if the terms of key relationships change to be less favorable to Intuit, it could have a negative impact on our mortgage business and on Intuit's financial results.

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If we are unable to capitalize on new sources of revenue for our QuickBooks business, our Small Business Division will not be able to achieve sustained growth. Sales of our QuickBooks desktop products since the beginning of fiscal 2001 have been lower than expected, both to existing customers as well new customers. We cannot rely solely on this source of revenue to provide sustainable future growth for our Small Business Division. We must generate significant revenue from broader markets and customer segments as well as from new products and services — including QuickBooks Premier: Accountant Edition designed for accountants, a new version of QuickBooks targeted at larger and more complex small businesses, and other recently announced new small business products.

Despite our efforts to adequately staff and equip our customer service and technical support operations, we cannot always respond promptly to customer requests for assistance. We occasionally experience customer service and support problems, including longer than expected “hold” times when our staffing is inadequate to handle higher than anticipated call volume, and a large number of inquiries from customers checking on the status of product orders when the timing of shipments fails to meet customer expectations. This can adversely affect customer relationships and our financial performance. In order to improve our customer service and technical support, we must continue to focus on eliminating underlying causes of service and support calls (through product improvements and better order fulfillment processes), and on more accurately anticipating demand for customer service and technical support.

We rely on two third party vendors to handle all outsourced aspects of our primary retail desktop software product launches. For manufacturing and distributing our primary retail products at the time of product launches, we have an exclusive manufacturing relationship with Modus Media, and an exclusive distribution arrangement with Ingram Micro Logistics. While we believe that relying on only two outsourcers for our primary retail product launches improves the efficiency and reliability of our product launches, reliance on any vendor for a significant aspect of our business can have severe negative consequences if the vendor fails to perform for any reason.

We face risks relating to customer privacy and security and increasing regulation, which could hinder the growth of our businesses. Despite our efforts to address customer concerns about privacy and security, these issues still pose a significant risk, and we have experienced lawsuits and negative publicity relating to privacy issues. For example, during fiscal 2000 and fiscal 2001, there were press articles criticizing our privacy and security practices as they relate to the connectivity of our desktop software to our Web sites. We have faced lawsuits and negative press alleging that we improperly shared information about customers with third party “ad servers” for our Web sites. A major breach of customer privacy or security by Intuit, or even by another company, could have serious consequences for our businesses, including reduced customer interest and/or additional regulation by federal or state agencies. In addition, mandatory privacy and security standards and protocols have been developed by the federal government, and we have incurred significant expenses to comply with these requirements. Additional similar federal and state laws may be passed in the future, and the cost of complying with additional legislation could have a negative impact on our operating results. If Internet use does not grow as a result of privacy or security concerns, increasing regulation or for other reasons, the growth of our Internet-based businesses would be hindered.

Actual product returns may exceed return reserves. We ship more desktop products to our distributors and retailers than we expect them to sell, in order to reduce the risk that distributors or retailers will run out of products. This is particularly true for our tax products, which have a short selling season. Like most software companies, we have a liberal product return policy and we have historically accepted significant product returns. We establish reserves for product returns in our financial statements, based on estimated future returns of products. We closely monitor levels of product sales and inventory in the retail channel in an effort to maintain reserves that are adequate to cover expected returns. In the past, returns have not generally exceeded these reserves. However, if we do experience actual returns that significantly exceed reserves, it would result in lower net revenue.

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Our ability to conduct business could be impacted by a variety of factors such as electrical power interruptions, earthquakes, fires, terrorist activities and other similar events. Our business operations depend on the efficient and uninterrupted operation of a large number of computer and communications hardware and software systems. These systems are vulnerable to damage or interruption from electrical power interruptions, telecommunication failures, earthquakes, fires, floods, terrorist activities and their aftermath, and other similar events. Recently, electrical power in certain locations in California has been interrupted for short periods of time in the form of “rolling blackouts.” To date, our business operations have not been materially impacted by these outages. However, it is possible that rolling blackouts will continue in the foreseeable future and our facilities could be significantly affected in the future. Other unpredictable events could also impact our ability to continue our business operations. For example, the September 2001 terrorist attacks on New York City and Washington, D.C. and the aftermath of those attacks may have an unpredictable negative impact on our business activities. For our Internet-based services, system failures of our internal server operations or those of various third-party service providers, could result in interruption in our services to our customers. Any significant interruptions in our ability to conduct our business operations could reduce our revenue and operating income. Our business interruption insurance may not adequately compensate us for the impact of interruptions to our business operations.

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**ITEM 3
QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Short-Term Investment Portfolio

We do not hold derivative financial instruments in our short-term investment portfolio. Our short-term investments consist of instruments that meet quality standards consistent with our investment policy. This policy dictates that, for short-term investments, we diversify our holdings and limit our short-term investments with any individual issuer in a managed portfolio to a maximum of \$5 million.

Marketable Securities

We carried balances in marketable equity securities as of October 31, 2001 that are subject to considerable market risk due to their volatility. If our available-for-sale securities experience further declines in fair value that are considered other than temporary, we will reflect the additional loss in our net income in the period when the subsequent impairment becomes apparent. See Note 3 of the financial statements for more information regarding risks related to our investments in marketable securities.

Interest Rate Risk

Interest rate risk represents a component of market risk to us and represents the possibility that changes in interest rates will cause unfavorable changes in our net income and in the value of our interest rate sensitive assets, liabilities and commitments, particularly those that relate to our mortgage and payroll businesses. In a higher interest rate environment, borrower demand for mortgage loans generally declines, adversely affecting our mortgage loan business. Interest rate movements also affect the interest income earned on loans we hold for sale in the secondary market, interest expense on our lines of credit, the value of our mortgage loans and ultimately the gain or loss on the sale of those mortgage loans. In addition, interest rate movements affect the interest income we earn on payroll customer funds we hold and investments we hold in our short-term investment portfolio, as well as the value of our short-term investments.

As part of our risk management programs, we enter into financial agreements and purchase financial instruments in the normal course of business to manage our exposure to interest rate risk with respect to our conventional mortgage loans and our government-insured loans (together, "Prime Loans"), but not with respect to our sub-prime loans or home equity lines of credit. We use these financial agreements and financial instruments for the explicit purpose of managing interest rate risks to protect the value of our mortgage loan portfolio and not for trading purposes.

We actively monitor and manage our exposure to interest rate risk on Prime Loans, which is incurred in the normal course of business. The portfolio of prime loans, including those in the pipeline, and the related forward commitments are valued on a daily basis. We refer to the loans, pipeline, and forward commitments together as the "Hedge Position." We evaluate the Hedge Position against a spectrum of interest rate scenarios to determine expected net changes in the fair values of the Hedge Position in relation to the changes in interest rates. Based on our analysis of our hedge position at October 31, 2001, we do not believe that short-term changes in interest rates will have a material effect on the interest income we earn on loans held for sale in the secondary market or the value of mortgage loans. See Notes 1 and 10 of the financial statements for more information regarding risks related to our mortgage loans and lines of credit. However, a change in interest rates may potentially have a material impact on the interest income earned on our cash equivalents and short-term investments held at October 31, 2001.

Impact of Foreign Currency Rate Changes

We translate foreign currencies into U.S. dollars for reporting purposes; currency fluctuations can have an impact, though generally immaterial, on our results. We believe that our exposure to currency exchange fluctuation risk is insignificant primarily because our global subsidiaries invoice customers and satisfy their financial obligations almost exclusively in their local currencies. For the two quarters presented there was an immaterial currency exchange impact from our intercompany transactions. Currency exchange risk is also minimized since foreign debt is due exclusively in local foreign currencies. As of October 31, 2001, we did not engage in foreign currency hedging activities.

PART II

ITEM 1

LEGAL PROCEEDINGS

On March 3, 2000, a class action lawsuit, Bruce v. Intuit Inc., was filed in the United States District Court, Central District of California, Eastern Division. Two virtually identical lawsuits were later filed: Rubin v. Intuit Inc., was filed on March 8, 2000 in the United States District Court, Southern District of New York and Newby v. Intuit Inc. was filed on April 27, 2000, in the United States District Court, Central District of California, Eastern Division. The Bruce and Newby lawsuits were consolidated into one lawsuit, In re Intuit Privacy Litigation, filed on July 28, 2000 in the United States District Court of California, Eastern Division. Following Intuit's successful motion to dismiss several of the claims, an amended complaint was filed on May 2, 2001. A similar lawsuit, Almanza v. Intuit Inc. was filed on March 22, 2000 in the Superior Court of the State of California, San Bernardino County, Rancho Cucamonga Division. An amended complaint in the Almanza suit was filed on October 26, 2000. These purported class actions allege violations of various federal and California statutes and common law claims for invasion of privacy based upon the alleged intentional disclosure to third parties of personal and private customer information entered at Intuit's Quicken.com Web site. The complaints seek injunctive relief, orders to disgorge profits related to the alleged acts, and statutory and other damages. Intuit believes these lawsuits are without merit and intends to defend the litigation vigorously.

Intuit is subject to other legal proceedings, as well as demands, claims and threatened litigation, that arise in the normal course of our business. We currently believe that the ultimate amount of liability, if any, for any pending claims of any type (either alone or combined) will not materially affect our financial position, results of operations or liquidity. However, the ultimate outcome of any litigation is uncertain, and either unfavorable or favorable outcomes could have a material negative impact. Regardless of outcome, litigation can have an adverse impact on Intuit because of defense costs, diversion of management resources and other factors.

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**ITEM 5
OTHER MATTERS**

CHANGES IN EXECUTIVE OFFICERS

The following table shows Intuit's executive officers and their areas of responsibility as of December 7, 2001. Biographies of executive officers added since our most recent Form 10-K follow the table.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Stephen M. Bennett	47	President, Chief Executive Officer and Director
William V. Campbell	61	Chairman of the Board of Directors
Scott D. Cook	49	Chairman of the Executive Committee of the Board of Directors
Thomas A. Allanson	43	Senior Vice President, Tax Division
Michael L. Hrastinski	52	Senior Vice President and Chief Information Officer
Richard William Ihrie	51	Senior Vice President and Chief Technology Officer
Lorrie M. Norrington	41	Senior Vice President, Small Business Division
Greg J. Santora	50	Senior Vice President and Chief Financial Officer
Raymond G. Stern	40	Senior Vice President, Corporate Development and Strategy
Caroline F. Donahue	40	Vice President, Sales
Linda Fellows	53	Vice President, Treasury and Investor Relations
Brooks Fisher	44	Vice President and Chief Marketing Officer
Enrico Roderick	42	Vice President, Personal Finance Division
Catherine L. Valentine	49	Vice President, General Counsel and Corporate Secretary
Sherry Whiteley	42	Vice President, Human Resources
Jeffrey N. Williams	50	Vice President, Finance Operations and Corporate Controller

Mr. Fisher has been Vice President and Chief Marketing Officer since June 2001. He joined Intuit in March 1997 as Vice President, for our Consumer Internet business. Prior to joining Intuit, Mr. Fisher was a Vice President at Infoseek Corp. (an Internet search service company) from January 1996 to March 1997. Prior to March 1997, he was a Group Publisher for Yankee Magazine. Mr. Fisher holds a Bachelor of Arts degree in English from Williams College.

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**ITEM 6
EXHIBITS AND REPORTS ON FORM 8-K**

(a) The following exhibits are filed as part of this report.

10.01*	Intuit Inc. 2001 Incentive Plan for Leaders
10.02*	Letter from Intuit Inc. to Richard William Ihrle dated December 3, 2001, confirming forgiveness of certain loan interest
10.03*	Amendment No. 2 dated October 23, 2001, to Employment Agreement between Intuit Inc. and Stephen M. Bennett dated January 21, 2000
10.04*#	Amended and Restated Services Agreement between Intuit Inc. and Ingram Micro Inc. dated September 11, 2001
10.05*#	Master Agreement between Intuit Inc. and Modus Media International, Inc. dated November 1, 2000, as amended on August 27, 2001
10.06*	Third Amendment, dated September 28, 2001, to Secured Balloon Payment Bridge Loan Promissory Note between Intuit Inc. and Thomas A. Allanson dated October 16, 2000

* Filed with this Form 10-Q

We have requested confidential treatment for certain portions of this exhibit. We have omitted such portions from this filing and filed them separately with the Securities and Exchange Commission.

(b) Reports on Form 8-K:

- (1) On August 24, 2001, Intuit filed a report on Form 8-K to report under Item 5 its financial results for the quarter ended July 31, 2001. Intuit's consolidated balance sheets and statements of operations as of and for the fourth quarter and the year ended July 31, 2001 were included in the 8-K.
- (2) On September 27, 2001, Intuit filed a report on Form 8-K to report under Item 5 that it had reached an agreement to acquire substantially all of the assets of OMware, Inc. No financial statements were filed with the report.
- (3) On November 8, 2001, Intuit filed a report on Form 8-K to report under Item 5 that on November 2, 2001, it had completed the acquisition of substantially all of the assets of OMware, Inc. No financial statements were filed with the report.
- (4) On November 16, 2001, Intuit filed a report on Form 8-K to report under Item 5 its financial results for the quarter ended October 31, 2001. Intuit's consolidated balance sheets and statements of operations as of and for the quarter ended October 31, 2000 and 2001 were included in the Form 8-K.

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SIGNATURES

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

Date: December 7, 2001

INTUIT INC. (Registrant)

By: /s/ Greg J. Santora

Greg J. Santora
Senior Vice President and Chief Financial Officer
(Authorized Officer and Principal Financial Officer)

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description</u>
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We have requested confidential treatment for certain portions of this exhibit. We have omitted such portions from this and filed them separately with the Securities and Exchange Commission.

INTUIT INC.
INCENTIVE PLAN FOR LEADERS
Effective August 1, 2001

1. **Overview:** Intuit's Incentive Plan for Leaders (IPL) is Intuit's cash bonus incentive program for key employees. It replaces the Annual Variable Bonus Plan (AVP). The IPL is a program under which Intuit pays discretionary cash bonus awards to select employees. Bonus awards under the IPL are paid annually. The amount of a bonus award is based upon the employee's bonus target and performance during the fiscal year and the bonus pool made available for payments under the IPL for the applicable fiscal year.
 2. **Purposes:** The IPL is a component of Intuit's overall strategy to pay its employees for performance. The purposes of IPL are to: (a) motivate key employees by tying compensation to performance; (b) reward exceptional performance that supports overall Intuit objectives; and (c) attract and retain top performing employees.
 3. **Effective Date:** The IPL is effective with Intuit's 2002 fiscal year that begins August 1, 2001.
 4. **Eligibility:** Intuit's Director of Total Rewards, in consultation with Intuit's President and Chief Executive Officer and other senior management, determines which employees are eligible to participate in the IPL. Those employees who are determined to be eligible for bonus awards under the IPL are called "Participants." Participants in the IPL are not eligible to simultaneously participate in Intuit's Performance Sharing Plan or any other bonus or cash incentive plan, unless the Director of Total Rewards otherwise specifically approves such participation in writing. An employee must be hired or otherwise become eligible for a bonus award under the IPL for that fiscal year.
 5. **Plan Year:** The IPL operates on a fiscal year basis, August 1 through July 31.
 6. **Bonus Awards:** Bonus awards are discretionary payments. There is no minimum award or guaranteed payment. Bonus awards are paid based on the fiscal year. A bonus award is calculated with reference to the Participant's bonus target and performance for the fiscal year and the bonus pool made available for bonus awards under the IPL for the fiscal year.
 - a. **Bonus Targets:** Bonus targets are established as a percentage of a Participant's base salary.
 - i. When an employee becomes a Participant he or she is advised of his or her bonus target for the fiscal year.
-

- ii. Following the beginning of each fiscal year, each Participant is advised of his or her bonus target by the executive leader of the Participant's business or functional unit or the executive leader's designee.
- iii. The Compensation Committee establishes individual bonus targets for Executive Officers (as defined in the Charter of the Compensation Committee of the Board of Directors) and other Intuit officers. Bonus targets for other employees are established by the Director of Total Rewards in consultation with Intuit's President and Chief Executive Officer, the employee's manager and the individual responsible for the business unit or division thereof or functional unit or division thereof in which the employee works and that unit or division's HR director.
- iv. Intuit may establish bonus target guidelines for each fiscal year. A Participant's bonus target for a fiscal year may be based upon a variety of factors, including but not limited to, his or her salary, position or level. A bonus target does not guarantee that a bonus award will be made at that rate.

b. Determination of a Bonus Award Amount

- i. The amount of a bonus award to a Participant who is an Executive Officer (as defined in the Charter of the Compensation Committee of the Board of Directors) or other Intuit officer is determined by the Compensation Committee. The amount of a bonus award to a Participant who is not an officer is determined by the executive leader of the Participant's business or functional unit and Intuit's President and Chief Executive Officer in consultation with the Participant's direct manager and the Director of Total Rewards.
 - ii. A Participant's bonus award is linked to an assessment of the Participant's total job performance for the fiscal year. Factors that may be considered, include but are not limited to, what the Participant does to advance Intuit's success and how the Participant does it, especially leadership, balance of short-term actions with long-term goals, resource allocation and maintenance by the Participant of focus on Intuit while prioritizing the needs of customers, employees and stockholders.
 - iii. There is neither a minimum nor maximum amount of a bonus award that may be paid to a Participant for a fiscal year. A bonus award amount may be prorated for those Participants who are eligible to participate in the IPL for less than a full fiscal year.
-

- c. **When Bonus Awards are Paid:** The timing for payment of a bonus award is determined by Intuit's Director of Total Rewards in consultation with Intuit's President and Chief Executive Officer and other senior management. A Participant must be on Intuit's or an approved subsidiary's payroll on the day the bonus award is paid to receive a bonus payment. Intuit may make exceptions to this requirement in its sole discretion. A Participant has no right to a bonus award until it is paid. Notwithstanding the foregoing, in the event of an administrative error in the calculation or payment of a bonus award to a Participant, Intuit reserves the right to seek recovery from a Participant of an erroneously paid excessive bonus amount.
7. **Unfunded:** The IPL is not funded. Bonus awards, if any, are made from the general assets of Intuit. Intuit determines the amount of funds it would like to make available for bonus awards based on Intuit's performance for the fiscal year. Intuit's performance for this purpose may be measured in a number of ways, including but not limited to: financial measures, such as revenue and operating income; qualitative measures, such as accomplishments to position Intuit for the future; the year's market conditions; stockholder returns and progress of Intuit's business model. Intuit is not bound to pay any part of such funds in bonus awards.
8. **Amendment:** Intuit may amend the IPL at any time and from time to time.
9. **Administration and Discretion:** Intuit through its Compensation Committee or President and Chief Executive Officer and the Director of Total Rewards has the sole discretion to: (a) adopt such rules, regulations, agreements and instruments as it deems necessary to administer the IPL; (b) interpret the terms of the IPL; (c) determine an employee's eligibility under the IPL; (d) determine whether a Participant is to receive a bonus award under the IPL; (e) determine the amount of any bonus award to a Participant; (e) determine when a bonus award is to be paid to a Participant and whether any such bonus award should be prorated based on the Participant's service or other factors; (f) determine whether a bonus award will be made in replacement of or as an alternative to any other incentive or compensation plan of Intuit or acquired business unit or corporation; (f) grant waivers of IPL standard procedures and policies; (g) correct any defect, supply any omission, or reconcile any inconsistency in the IPL, any bonus award or any notice to Participants or a Participant regarding bonus awards; and (h) take any and all other actions it deems necessary or advisable for the proper administration of the IPL.
10. **Participation Provides No Guarantee of Employment:** Employment at Intuit and its subsidiaries is at-will. Participation in the IPL in no way constitutes an employment contract conferring either a right or obligation of continued employment.
-

11. **Governing Law:** The IPL will be governed by and construed in accordance with the laws of the State of California.

Established pursuant to the authority of the Compensation Committee of the Board of Directors at its August 6, 2001 meeting.

Exhibit 10.02



December 3, 2001

Richard William Ihrle
Senior Vice President and
Chief Technology Officer
Intuit Inc.
P.O. Box 7850
Mountain View, CA 94039-7850

Re: Forgiveness of Loan Interest

Dear Bill:

This letter will confirm that on October 23, 2001, the Compensation Committee of Intuit's Board of Directors decided to forgive the remaining unpaid accrued interest under your \$1,960,000 promissory note to Intuit dated November 28, 2000, as amended June 27, 2001.

Very truly yours,

/s/ Greg J. Santora
Chief Financial Officer

Exhibit 10.03

Amendment No. 2 to Employment Agreement

WHEREAS, on January 24, 2000, Intuit Inc. (the "Company") and Stephen M. Bennett entered into an Employment Agreement (the "Agreement"); and

WHEREAS, the Agreement provides that Mr. Bennett has a target bonus of 150% of his annual base salary;

WHEREAS, on October 23, 2001 the Compensation Committee of the Board of Directors of Intuit Inc. determined that Mr. Bennett's target percentage under the Incentive Plan for Leaders for the August 1, 2001 through July 31, 2002 fiscal year shall be 160%;

RESOLVED, that Paragraph (a) of Section 3 of the Agreement that details Mr. Bennett's annual incentive bonus compensation is hereby amended and restated in its entirety to read as follows:

(a) Your bonus for Intuit's 2002 fiscal year will be determined pursuant to Intuit's Incentive Plan for Leaders, the executive incentive bonus compensation program in effect for Intuit's 2002 fiscal year. Your Incentive Plan for Leaders target percentage for Intuit's 2002 fiscal year is 160%. For each fiscal year thereafter, the Compensation Committee will determine your target percentage under the then existing executive incentive bonus compensation program. Your bonus will not be less than 80% of your target percentage in any year. The maximum percentage of target that you may be paid in any year will be determined by the then existing executive incentive bonus compensation program. The Incentive Plan for Leaders does not limit the bonus that may be payable for performance that exceeds expectations.

This Amendment No. 2 is entered into as of October 23, 2001.

INTUIT INC.

By: /s/ Greg Santora
Chief Financial Officer

/s/ Stephen M. Bennett

AMENDED AND RESTATED SERVICES AGREEMENT

THIS AMENDED AND RESTATED SERVICES AGREEMENT (“**Agreement**”) is effective as of September 11, 2001 (the “**Effective Date**”) by and between Intuit Inc., a Delaware corporation, with offices at 2535 Garcia Avenue, Mountain View, CA 94043 (“**Intuit**”), and Ingram Micro Inc., a Delaware corporation, with principal offices located at 1600 East St. Andrew Place, Santa Ana, California 92705 (“**Vendor**”).

Preamble

Vendor and Intuit are parties to a Services Agreement (“**Initial Agreement**”) pursuant to which Vendor agreed to provide Intuit with certain services, including inventory management, order management and related services. Vendor and Intuit now seek to amend and restate the Initial Agreement in its entirety in accordance with the terms and conditions set forth in this Agreement.

NOW THEREFORE, for good and valuable consideration received and to be received by Vendor, Vendor and Intuit agree as follows:

Terms and Conditions

1. Definitions. For purposes of this Agreement, the following terms shall have the definitions set forth in this **Section 1**:

- (a) “**Annualized Inventory Turn**” shall refer to the number calculated by dividing Ingram’s gross monthly shipments of Current Products (as defined herein) by the average daily number of Current Products held by Vendor during such month, and then multiplying the quotient by twelve (12).
- (b) “**Business Day**” shall mean Monday through Friday, excluding New Year’s Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day, or in the event any of these holidays fall on a Saturday or Sunday, the day on which the holidays observed.
- (c) “**Current Products**” shall mean the products in the Inventory that, at the time the Annualized Inventory Turns are being calculated, are being offered to Customers and shall exclude Promotional Products (as defined herein).
- (d) “**Customers**” shall mean Intuit’s customers.
- (e) “**Intuit**” shall mean Intuit and any other Intuit affiliate with respect to which Intuit (i) owns fifty percent (50%) or more of the outstanding stock or other equity interests, or otherwise directs the day to day management of through a written management agreement (including, but not limited to, apps.com, Inc., Boston Light Software Corp., Computing Resources, Inc., EmployeeMatters, Inc. d/b/a QuickBooks Employee, Lacerte Software Corporation, Quicken Loans Inc., and Turning Mill Software, Inc.), and

* We have requested confidential treatment for certain portions of this document pursuant to an application for confidential treatment sent to the Securities and Exchange Commission (SEC). We omitted such portions from this filing and filed them separately with the SEC.

(ii) identifies in a written notice given to Vendor (provided that in the event that the addition of such Intuit affiliate results in a material change with respect to the cost of the Services to be provided hereunder, then such addition shall be considered a request for a change in the scope of services subject to **Section 3(c)**). With respect to the Intuit affiliates specifically referenced in this **Section 1(d)**, by execution of this Agreement, Vendor acknowledges receipt of written notice that such affiliates are included in the definition of Intuit.

(f) **"Intuit Supplier"** shall mean manufacturers or other producers or distributors of Inventory from which Vendor may be required to arrange for the transportation and delivery of such Inventory to the Facilities or Customers.

(g) **"Inventory"** shall mean product inventory acquired or owned by Intuit that is made available to Vendor for storage and order processing under the terms of this Agreement.

(h) **"Non-Current Products"** shall mean all Intuit products in the Inventory that, at the time the Annualized Inventory Turns are being calculated, are no longer being offered to Customers.

(i) **"Promotional Products"** shall mean non-standard Intuit products in the Inventory that are intended to be distributed on a promotional basis (e.g., 90 day trials distributed in CD sleeves).

(j) **"Services"** shall mean the inventory management, order management and related services described in **Section 3, Exhibit A** and the Statement of Work (as defined herein).

2. Independent Contractor. In accordance with the mutual intentions of Intuit and Vendor, this Agreement establishes between them an independent contractor relationship, and all of the terms and conditions of this Agreement shall be interpreted in light of that relationship. The parties do not intend to create a partnership or employment relationship between Intuit and Vendor, and nothing in this Agreement shall be construed to create such a relationship between the parties.

3. Services.

(a) The Services and Service Level Requirements. Vendor agrees to perform, on behalf of Intuit, the Services set forth in **Exhibit A** as such Services are more fully described in a separate statement of work agreement as may be negotiated between the parties from time to time (the **"Statement of Work"**). All such Services shall be performed in the manner described herein and in accordance with the fee schedule attached hereto as **Exhibit B** and the service level requirements set forth in **Exhibit C** and the Statement of Work. Vendor agrees to begin performing the Services as of September 10, 2001 (the **"First Shipment Date"**), provided that Vendor shall perform

any preparation necessary to be able to perform as of the First Shipment Date during the period following the Effective Date and prior to the First Shipment Date.

(b) Changes to Scope of Services. Intuit may request in writing changes that affect the scope of the Services to be performed hereunder. If the parties mutually agree to such a change, then Vendor promptly shall notify Intuit if it believes that the change should result in an adjustment in the fees to be paid to Vendor for the Services. The parties shall then negotiate in good faith a reasonable and equitable adjustment to the applicable fees and/or the Statement of Work. Vendor shall continue to perform the Services pursuant to the existing Statement of Work, and shall not be bound by any change requested by Intuit, until such change has been agreed upon in writing by the parties.

(c) Program Managers. Each party agrees that its principal point of contact for all matters relating to the Services shall be its “**Program Manager**” designated in the Statement of Work. Each party may designate an alternate Program Manager by written notice to the other party, provided, however, that each such party consults with the other party when selecting an alternate Program Manager.

(d) Personnel. During the Term, as more fully described in the Statement of Work, Vendor shall dedicate a minimum of [*] full-time Vendor employees to the provision of the Services. Vendor shall consult with Intuit regarding the selection of and any material changes in the composition of the managerial-level employees who are dedicated to the performance of the Services.

(e) Inventory. Vendor shall receive, store and process the Inventory in the manner set forth in this Agreement and the Statement of Work. Vendor will use and manage the Inventory only as necessary to perform the Services and as directed by Intuit in writing. If Intuit authorizes Vendor to use other Intuit materials in performing the Services, Vendor agrees to use such materials solely in connection with the performance of the Services. In the event that Vendor uses, distributes or otherwise disposes of the Inventory or other Intuit materials, or permits any third party to use, distribute or otherwise dispose of the Inventory or other Intuit materials other than as set forth in this Agreement, the Statement of Work or authorized in writing by Intuit, then, in addition to any other remedies that may be available to Intuit hereunder, Vendor shall, upon written notice from Intuit (i) immediately cease such unauthorized use, distribution or disposition, (ii) to the extent that any such unauthorized use has the potential to result in a material loss or security threat to Intuit, notify Intuit within three (3) Business Days of the results of its investigation surrounding such circumstances, and (iii) within [*] Business Days implement a plan that is reasonably certain to protect against similar occurrences in the future. Vendor shall comply with all applicable laws, rules and regulations with respect to the handling and disposition of the Inventory, including, without limitation, all environmental and occupational and employment laws, rules and regulations.

* We have requested confidential treatment for certain portions of this document pursuant to an application for confidential treatment sent to the Securities and Exchange Commission (SEC). We omitted such portions from this filing and filed them separately with the SEC.

(f) Controls Against Theft. Vendor agrees to implement and maintain reasonable controls against theft or misappropriation with respect to the Inventory and any other Intuit materials under Vendor's control. In fulfilling this obligation, Vendor shall utilize controls that are at least equivalent to the controls that it maintains for other similarly sensitive products or components under its control, provided that such controls are at least comparable to the prevailing standards used within the industry to control against theft or misappropriation of inventory similar to the Inventory.

(g) Cooperation. Vendor acknowledges and agrees that, in order to perform the Services, it will be necessary for Vendor to work directly with Intuit's manufacturers and other third party service providers. Vendor agrees to cooperate with such manufacturers and third party service providers, including, without limitation, by managing shipments and returns and processing claims for lost Inventory on behalf of Intuit.

4. Shipping Costs; Facilities.

(a) Shipping Costs. Vendor shall be solely responsible for arranging and managing all transportation and shipping associated with the delivery of Inventory to the Facilities ("**Inbound Delivery**") as well as the delivery of the Inventory from Vendor's Facilities to Customers ("**Outbound Delivery**") as stated in the Statement of Work, including, without limitation, the selection and management of carriers, and the processing of all records and claims with respect to such transportation. Notwithstanding the foregoing, (i) Intuit shall have the right to direct Vendor to refrain from shipping Inventory with carriers that have an unacceptably high number of delays or other performance deficiencies, and (ii) Vendor agrees to utilize such carriers and following such shipping instructions as may be directed by Customers that have their own transportation requirements. Intuit shall be responsible for all shipping costs associated with Inbound Inventory. All shipping costs for Outbound Delivery shall be based on Vendor's freight rate schedule then in effect, the current version of which is set forth in **Exhibit B**. In the event of a change in a carrier's freight rates or discounts offered to Vendor, Vendor may change the freight rate schedule by notifying Intuit not less than thirty (30) days prior to the effective date of the change. Intuit shall pay Vendor for shipping costs in accordance with **Section 7**.

(b) Facilities. Vendor shall use the facilities identified in the Statement of Work when performing the Services (each a "**Facility**"). Vendor shall be fully responsible for the maintenance and operation of each Facility, and shall bear all costs and expenses associated with securing and maintaining the Facilities, including, but not limited to, lease costs, improvements, insurance costs, utilities, communication expenses, security and repair and maintenance costs. Intuit or its agent shall have the right, upon reasonable advance notice, to inspect the Facilities and the Inventory to verify Vendor's compliance with this Agreement and the Statement of Work; during any such inspection, Intuit shall be entitled to count Inventory, monitor Vendor's Inventory handling procedures and review applicable bills of lading. Vendor may use other Facilities to

perform the Services; provided, however, that Vendor [*]. In the event that the parties are unable, through such good faith negotiations, to agree within forty-five (45) days following receipt of written notice of such closure on appropriate pricing adjustments or other measures, then Intuit shall have the right to terminate this Agreement and the Statement of Work without liability.

5. Electronic Sharing of Information and Reporting.

(a) Vendor shall ensure that its information management systems relating to the Services (*e.g.*, order processing and inventory management systems) provide the electronic information that is required in the Statement of Work.

(b) Vendor shall provide Intuit with a set of performance, utilization and status reports as further described in the Statement of Work, which reports shall be provided by Vendor to Intuit in accordance with the delivery procedures and format(s) specified in the Statement of Work.

6. Reviews.

[*]

(b) Quarterly Reviews. Not less than twenty (20) days following the end of each calendar quarter, designated team members from both parties will meet and confer (via conference call, if necessary) to review the business and performance during the past calendar quarter. These meetings (the "Quarterly Reviews") will include a performance review, continuous improvement projects, and management status reviews, cost reduction initiatives and other operational areas and issues. In connection with each Quarterly Review that occurs on or after January 1, 2002, the parties shall gather the data and rate Vendor's performance in accordance with the a Quarterly Review form (the "Quarterly Review Form") that measures Vendor's compliance with the service level requirements set forth in **Exhibit C**. Such Quarterly Reviews may result in the payment of additional compensation based on such performance ratings ("Quarterly Review Payouts"). The maximum amount of such Quarterly Review Payouts will be \$[*] annually, and \$[*] of such maximum amount will be allocated to payouts that may be earned by Vendor based on Vendor's performance ratings relating to [*]. On or before January 1, 2002, the parties will mutually agree upon (i) the content and format of the Quarterly Review Form, (ii) the scoring process to be used for the Quarterly Review Form to determine the amount (if any) of the Quarterly Review Payouts to be paid to Vendor, and (iii) the allocation of the remaining \$[*] of the maximum annual amount of the Quarterly Review Payouts to the remaining areas (*i.e.*, [*]) of Vendor's performance that are rated on the Quarterly Review Form and for which payouts may be earned by Vendor.

* We have requested confidential treatment for certain portions of this document pursuant to an application for confidential treatment sent to the Securities and Exchange Commission (SEC). We omitted such portions from this filing and filed them separately with the SEC.

7. Compensation and Payment.

(a) Subject to the performance by Vendor of its obligations set forth in this Agreement and the Statement of Work, and except as otherwise provided herein or therein, Intuit will pay Vendor for the performance of the Services in the amounts and in accordance with the schedule specified in **Exhibit B**. No compensation shall be paid for services rendered by Vendor unless the Services are set forth in the Statement of Work. Vendor shall invoice and Intuit shall pay for the Services in accordance with this **Section 7**, [*], and (ii) comply with the terms contained therein with regard to the payment and reporting relating to the Services.

[*]

(c) Vendor shall have the right, in accordance with the warehouse storage rates set forth in **Exhibit B**, to charge Intuit for the warehouse storage of all Non-Current Products and/or Promotional Products that are not shipped from Vendor's Facilities within ninety (90) days from the date such Non-Current and/or Promotional Products arrive at Vendor's Facilities.

(d) Intuit shall pay Vendor a one-time fee of [*] dollars (\$[*]) for fixed costs associated with Vendor's preparations to provide the Services. In no event shall Intuit be responsible for the payment of any additional fixed costs incurred during the period between the Effective Date and the First Shipment Date (regardless of whether such First Shipment Date occurs on the date set forth in the Statement of Work or at sometime thereafter, as mutually agreed upon by the parties). Following the First Shipment Date, Vendor will submit monthly invoices for the fixed costs outlined in **Exhibit B**. Vendor will submit separate [*] invoices for (i) freight costs incurred for shipping Inventory to Customers, (ii) supply costs, and (iii) variable costs; each such invoice shall set forth, in reasonable detail, descriptions of the costs incurred during the preceding week, the calculation of the costs related thereto, prior approved disbursements or out-of-pocket expenses then due (if any), and such other information as may be reasonably requested by Intuit. Vendor shall invoice Intuit for travel expenses in accordance with Intuit's then-current reimbursable expenses guidelines. Vendor will send all invoices to Intuit Inc., Accounts Payable, M.S. 247, P. O. Box 391296 Mountain View, CA 94039-1296, or to such other address as Intuit may designate from time to time. All invoices must reference the number and date of this Agreement.

(e) Except as otherwise provided in this Agreement, all undisputed payments will be made by Intuit within forty-five (45) days after receipt of the applicable invoice, and shall be sent to Vendor at its address specified in the invoice. In the event that Intuit disputes any invoice rendered or amount paid, Intuit promptly will notify Vendor in writing and the parties shall work together to resolve such dispute expeditiously, provided that the time for payment of the disputed amount on the invoice shall be extended until resolution of the dispute.

* We have requested confidential treatment for certain portions of this document pursuant to an application for confidential treatment sent to the Securities and Exchange Commission (SEC). We omitted such portions from this filing and filed them separately with the SEC.

(f) Vendor shall separately detail in each invoice provided under this Agreement any applicable taxes for goods or services, and shall separately enumerate each category of taxes that Intuit may be required to pay Vendor in connection with the performance of the Services (e.g., sales, use, etc.). Vendor will be responsible and shall pay any taxes based on Vendor's net income. Vendor will reimburse and indemnify Intuit for any such taxes and contributions and interest and penalties that Intuit may be compelled to pay on account of Vendor's non-payment of such taxes.

(g) Vendor agrees that the Inventory and any other Intuit materials provided by Intuit hereunder shall remain the property of Intuit. Vendor shall at all times hold the Inventory and any other Intuit materials free and clear of all liens, claims, and encumbrances, except such liens, claims and encumbrances of third parties that are unrelated to the Services, Vendor or its employees and contractors.

(h) Vendor will maintain complete and accurate records relating to any fees and payments charged or made in connection with the Services provided under this Agreement. Up to a maximum of two times in any calendar year, Intuit may audit the books, systems, processes and records of Vendor relating to Vendor's fulfillment of its obligations under this Agreement at Intuit's expense during normal business hours. Such audit shall be for the purpose of assuring that the Vendor's performance is in accordance with its obligations under this Agreement and the Statement of Work. Each audit will be conducted in a manner designed to minimize disruption to Vendor's normal business and shall be conducted on a non-look back basis, i.e. periods to be audited shall exclude periods already audited. In the event Intuit discovers a performance deficiency during an audit, Intuit's remedy will be as follows: (i) Intuit shall notify Vendor in writing of the deficiency within fourteen (14) days of discovery; and (ii) Vendor will have ten (10) days after receipt of such notice to prepare a plan to correct the deficiency, and twenty (20) days after receipt of such notice to complete correction of the deficiency. Notwithstanding anything to the contrary contained herein, Intuit retains the right to pursue any and all remedies available to Intuit under this Agreement, including, but not limited to, the right to terminate this Agreement under **Section 8(b)** and any remedies available to Intuit under law or equity.

8. Term/ Termination.

(a) Unless otherwise terminated in accordance with this Agreement, the term of this Agreement shall begin on the Effective Date and will continue for a period of three (3) year(s) after the Effective Date (the "**Term**"). Vendor shall begin and complete the Services on the dates specified in the Statement of Work.

(b) Either party may terminate this Agreement (i) due to a material breach of this Agreement or the Statement of Work by the other party if such material breach remains uncured for a period of thirty (30) days following receipt of written notice by the breaching party; and (ii) by giving (30) days' written notice to the other party in the event

of: (A) any sale or transfer of all or substantially all of such other party's assets; or (B) any acquisition of a controlling interest in such other party's voting stock.

(c) Intuit reserves the right to terminate this Agreement if Vendor fails to comply with any of the performance requirements set forth in the Service Level Attachment, attached hereto as **Exhibit C**. The termination right granted to Intuit under this **Section 8(c)** shall not limit or prevent Intuit from terminating this Agreement for any other basis permitted under this Agreement. In addition, the rights and remedies set forth in this Section are in addition to the corrective actions and specific remedies set forth in the **Exhibit C**, which shall be cumulative. Intuit's right to terminate pursuant to this **Section 8(c)** shall be subject to the following procedure:

(i) Intuit may notify Vendor in writing of any performance deficiencies within fourteen (14) days of receipt of the monthly report regarding performance. Vendor will have ten (10) days after receipt of such notice to prepare a plan to correct the deficiency, and twenty (20) days after receipt of such notice to complete correction of the deficiency.

(ii) Intuit will have the option to terminate this Agreement if (i) Intuit gives more than one (1) notice of deficiency relating to substantially the same performance level requirement set forth in **Exhibit C** within any twelve (12) month period during the Term, (ii) Vendor fails to prepare a plan to correct a deficiency within ten (10) days or to fully implement a correction to a deficiency within twenty (20) days of receipt of any notice of deficiency, or (iii) Intuit issues three (3) or more notices of deficiency during any consecutive eighteen (18) month period (regardless of whether such notices relate to the same or different performance level requirements). Intuit's termination right under this **Section 8(c)** may be exercised upon thirty (30) calendar days from the date of such notice, and Vendor shall have no further right to cure any such deficiency.

(d) Either party may terminate this Agreement for convenience, without cause, upon at least one hundred eighty (180) days' prior written notice to the other party.

(e) In the event of an early termination of this Agreement, Intuit shall compensate Vendor for the Services provided on or before the effective date of the termination and shall compensate Vendor for any approved disbursements and out-of-pocket expenses reasonably incurred by Vendor in connection with this Agreement. Upon termination or expiration of this Agreement, or at any prior time upon the request of Intuit, Vendor will promptly deliver to Intuit or its designee, all Inventory in its possession and all Confidential Information and Materials (as hereinafter defined) Vendor agrees not to retain any copies of Confidential Information or Materials after the termination or expiration of this Agreement. All Inventory shall be returned in substantially the same condition as it was received by Vendor. Notwithstanding the foregoing, if Intuit or Vendor terminates this Agreement in accordance with **Section 8**, Intuit shall be responsible for the costs of removing the Inventory and delivering it to a new location.

(f) Prior to the effective date of the termination or expiration of this Agreement, Vendor and Intuit shall develop a mutually acceptable plan to permit Intuit to transition

the Services in a seamless manner to a succeeding service provider. Vendor agrees to provide reasonable assistance to Intuit in the provision any transition assistance, including, but not limited to, relocation of Inventory, employment of full-time staffing necessary for management of the Inventory transition plan, technical assistance in transitioning and integrating existing databases and information technology systems with alternative solutions, assistance in transitioning to alternative transportation providers, managing Customer service responsibilities transition including returns processing, and providing a dedicated program manager for a period of thirty (30) days following the relocation of the Inventory.

(g) The provisions of **Sections 7, 8(e), 8(f), 8(g), 11, 12, 13, 14, 15, 16 and 18** as well as corresponding provisions of any of the Exhibits, will survive any termination or expiration of this Agreement.

9. Business Continuity.

(a) Vendor shall (i) be responsible for business continuity of operations within the scope of the Services being provided; (ii) within thirty (30) days after the Effective Date, submit to Intuit for approval a business continuity plan in a mutually agreed upon format; and (iii) update the business continuity plan, subject to Intuit's approval, to reflect changes in technology and industry standards on an annual basis.

(b) Vendor shall provide Intuit reasonable assistance in Intuit's assessment of Intuit's business continuity requirements and provide, for Intuit's approval, a set of alternatives for the development of a viable Intuit business continuity program, and the estimated fees associated with each alternative.

(c) Vendor shall immediately provide Intuit with a notice of a disaster and, upon the occurrence of a disaster at a site at which Vendor performs all or part of the Services, use best efforts to implement the business continuity plan for such site.

(d) Vendor shall use its best efforts to restore the Services immediately, but in any event within the period of time set forth in the business continuity plan approved by Intuit. In the event of a disaster, Vendor shall not charge Intuit any fees in excess of the fees set forth in **Exhibit B** for Vendor to perform the actions outlined in the mutually agreed upon business continuity plan. Whenever a force majeure or a disaster causes Vendor to allocate limited resources between or among Vendor's customers, Intuit shall receive no less priority in respect to such allocation than any of Vendor's other customers.

10. Preferred Logistics Provider. Subject to the performance by Vendor of its obligations hereunder, Intuit agrees that Vendor shall be Intuit's preferred logistics provider throughout the Term such that if Intuit, including any of its business units, desires to outsource any freight and shipping management, inventory logistics or similar order fulfillment requirements, Intuit will advise Vendor of the opportunity (with at least as much notice as it provides other potential service providers) and permit Vendor to

present a proposal to perform such services. In the event that Vendor proposes to perform the requested services at the same fee and terms (or better) as other potential service providers, Intuit agrees that it will utilize Vendor with respect to such services. Notwithstanding the foregoing, neither Intuit nor any of its business units shall be required to provide Vendor with the opportunity to make a proposal with respect to freight, shipping, inventory logistics or similar fulfillment requirements where (i) Intuit obtains such services together with other services, or (ii) such services are de minimus and/or Intuit elects not to engage in a competitive bidding process with respect to such services.

11. Ownership. As between the parties, each party shall retain all right, title and interest (including copyright and other proprietary or intellectual property rights), in its respective trademarks, service marks, trade names, logos, technical notes, technical documentation, scripts, software documentation, training materials, Confidential Information (as defined herein) and any other materials supplied by one party to the other or acquired by one party, on the other's behalf, under this Agreement, and all legally protectable elements, derivative works, modifications and enhancements thereto (the "Materials"). Nothing in this Agreement shall effect a transfer of copyright rights from either party to the other. Intuit shall retain all right title and interest in the Inventory, including without limitation, any software therein.

12. Confidential Information.

(a) For the purposes of this Agreement, "Confidential Information" means the existence and terms and conditions of this Agreement, and all non-public information about the disclosing party's (or its suppliers') business or activities that is proprietary and confidential, which shall include all business, financial, technical and other information of either party, whether or not it is marked or designated by such party as "confidential" or "proprietary" at the time of disclosure. Confidential Information will not include information that: (i) is in or enters the public domain without breach of this Agreement; (ii) the receiving party lawfully receives from a third party without restriction on disclosure and without breach of a nondisclosure obligation; (iii) the receiving party rightfully knew prior to receiving such information from the disclosing party; or (iv) the receiving party develops independent of any information originating from the disclosing party.

(b) Each party agrees that: (i) it will not disclose to any third party any Confidential Information disclosed to it by the other party except as expressly permitted in this Agreement; (ii) it will not use any Confidential Information disclosed to it by the other party except as necessary to perform its obligations under this Agreement; and (iii) it will take all reasonable measures to maintain the confidentiality of all Confidential Information of the other party in its possession or control, which will in no event be less than the measures it uses to maintain the confidentiality of its own information of similar importance. Notwithstanding the foregoing, each party may disclose Confidential Information to the extent required by a court of competent jurisdiction or other governmental authority or otherwise as required by law, provided that such party uses reasonable efforts to request confidential treatment or a protective order before such

disclosure; or on a “need-to-know” basis under an obligation of confidentiality to its legal counsel and accountants.

(c) Each party acknowledges and agrees that its breach of the provisions under this **Section 12** will result in irreparable harm to Intuit and that Intuit will have the right to enforce this Agreement and any of its provisions by injunction, specific performance and/or other equitable relief without prejudice to any other rights and remedies that Intuit may have.

(d) Nothing in this Agreement shall relieve any party of any of its obligations under any separate non-disclosure agreement between the parties, including any obligation with respect to procedures for handling customer data or other similarly sensitive information. Vendor agrees to comply with the Security Requirements agreement as in effect from time to time (the current version of which is attached as **Exhibit F**); provided that Vendor will not be obligated to comply with any changes to the Security Requirements unless Intuit provides Vendor with written notice of such changes. References in **Exhibit F** to “Company” shall be deemed to refer to Vendor.

(e) All Customer information provided by Intuit to Vendor, or obtained by Vendor from the Customers during the course of performing the Services on Intuit’s behalf (“Customer Information”), including, without limitation, name, phone number, e-mail address, delivery address, company name and billing address, shall be considered Confidential Information for purposes of this Agreement, unless the Customer Information falls within in one of the exceptions stated in **Section 12(a)**. Vendor agrees that, except to the extent necessary to fulfill its obligations hereunder, it will not use any Customer Information for any purpose.

13. Representations and Warranties.

(a) Each party to this Agreement represents and warrants that: (i) it is a corporation duly incorporated, validly existing and in good standing; (ii) it has all requisite corporate power and authority to execute, deliver and perform its obligations hereunder; (iii) it is duly licensed, authorized or qualified to do business and is in good standing in every jurisdiction in which a license, authorization or qualification is required for the ownership or leasing of its assets or the transaction of business of the character transacted by it except when the failure to be so licensed, authorized or qualified would not have a material, adverse effect on its ability to fulfill its obligations hereunder; (iv) it shall comply with all laws and regulations applicable to the performance of its obligations hereunder and shall obtain all applicable permits and licenses required of it in connection with its obligations hereunder; and (v) it is not a party to any agreement with a third party, the performance of which is reasonably likely to affect adversely its ability or the ability of the other party to perform fully its respective obligations hereunder.

(b) Vendor represents and warrants that any and all Services rendered under this Agreement shall be performed by Vendor in accordance with the highest standards of competence within Vendor’s industry. Vendor represents and warrants that to the extent it must perform the Services under this Agreement at Intuit’s facilities, it will do so

in accordance with Intuit's performance standards and policies attached hereto as **Exhibit G**. Vendor shall notify Intuit in writing in advance of Vendor's desire to retain any subcontractors to support the performance of the Services, but only in such instances when such subcontractors shall be assisting Ingram in the performance of services solely for Intuit. Intuit reserves the right, in its sole discretion, to disapprove such retention. Any such delegation of Vendor's duties to any subcontractor approved by Intuit shall not relieve Vendor of its obligations under this Agreement.

(c) EXCEPT FOR THE EXPRESS WARRANTIES MADE OR REFERENCED IN THIS AGREEMENT, NEITHER PARTY MAKES ANY WARRANTIES, EXPRESS OR IMPLIED, CONCERNING THE SUBJECT MATTER OF THIS AGREEMENT, AND EACH PARTY HEREBY DISCLAIMS ANY AND ALL IMPLIED WARRANTIES, INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTIES OF MERCHANTABILITY AND/OR FITNESS FOR A PARTICULAR PURPOSE AND NONINFRINGEMENT.

14. Indemnification.

(a) Vendor agrees to defend, indemnify and hold Intuit and its affiliates, and all of their respective officers, directors, agents and employees, harmless from and against any and all claims, including liabilities, actions, judgments, costs, and expenses and reasonable attorneys' fees (collectively "Claims"), asserted by a third party arising out of or related to: (i) any breach or alleged breach of any of Vendor's representations and warranties hereunder; (ii) Vendor's negligent acts, omissions and/or willful misconduct in supplying the Services under this Agreement; (iii) any obligations imposed by law with respect to any withholding taxes, social security, unemployment or disability insurance, or similar items in connection with any payments made to Vendor for the rendering of Services hereunder; (iv) any claim that the Services infringe or violate any third party's copyright, U.S. patent, trade secret, or trademark, or other intellectual property right; or, (v) any actual, alleged or contributory patent or copyright infringement, misappropriation of Confidential Information, or violation of other intellectual or proprietary rights related to the provision of the Services.

(b) Intuit agrees to defend, indemnify and hold Vendor and its affiliates, and all of their respective officers, directors, agents and employees, harmless from and against any and all claims, including liabilities, actions, judgments, costs, and expenses and reasonable attorneys' fees, asserted by a third party arising out of or related to: (i) any breach or alleged breach by Intuit of any of Intuit's representations and warranties hereunder; (ii) the negligent acts, omissions and/or willful misconduct of Intuit in using the Services provided under this Agreement; (iii) any claim that the Inventory infringes or violates any third party's copyright, U.S. patent, trade secret, or trademark, or other intellectual property right, or (iv) any actual, alleged or contributory patent or copyright infringement, misappropriation of Confidential Information, or violation of other intellectual or proprietary rights related to the Inventory.

(c) The party seeking indemnification under **Section 14(a)** or **14(b)**, as the case may be (the "Indemnified Party"), will give prompt written notice to the other party (the

“Indemnifying Party”). (The failure by an Indemnified Party to give notice as provided, above, shall not relieve the Indemnifying Party of its obligations under this **Section 14(c)**, except to the extent that the failure results in the failure of actual notice and the Indemnifying Party is damaged as a result of the failure to give notice.) In addition, the Indemnified Party will allow the Indemnifying Party to direct the defense and settlement of any such claim, with counsel of the Indemnifying Party’s choosing, and will provide the Indemnifying Party, at the Indemnifying Party’s expense, with information and assistance that is reasonably necessary for the defense and settlement of the claim. The Indemnified Party shall have the right to employ separate counsel and to participate in (but not control) any such action, but the fees and expenses of such counsel shall be at the expense of the Indemnified Party unless: (i) the employment of counsel by the Indemnified Party has been authorized by the Indemnifying Party; (ii) the Indemnified Party has been advised by its counsel in writing that there is a conflict of interest between the Indemnifying Party and the Indemnified Party in the conduct of the defense of the action (in which case the Indemnifying Party shall not have the right to direct the defense of the action on behalf of the Indemnified Party); or (iii) the Indemnifying Party has not in fact employed counsel to assume the defense of the action within a reasonable time following receipt of the notice given pursuant to this **Section 14(c)**, in each of which cases the fees and expenses of such counsel shall be at the expense of the Indemnifying Party. An Indemnifying Party shall not be liable for any settlement of an action effected without its written consent (which consent shall not be unreasonably withheld), nor shall an Indemnifying Party settle any such action without the written consent of the Indemnified Party (which consent shall not be unreasonably withheld). No Indemnifying Party will consent to the entry of any judgment or enter into any settlement that does not include as an unconditional term thereof the giving by the claimant or plaintiff to the Indemnified Party a release from all liability with respect to the claim.

15. Insurance. Vendor will, at Vendor’s expense, maintain insurance policies that cover Vendor’s activities under this Agreement and the Statement of Work and the activities of Vendor’s employees, agents, and representatives, including, but not limited to, workers compensation insurance and comprehensive general liability, errors and omissions liability and media liability with minimum limits of insurance of \$2 million per claim and \$4 million annual aggregate. Vendor will name Intuit as an additional insured on each such policy. Upon the request of Intuit, Vendor shall provide Intuit with a certificate of insurance evidencing such coverages.

16. Limitation of Liability.

(a) NEITHER VENDOR NOR INTUIT SHALL BE LIABLE TO THE OTHER PARTY, THE CUSTOMERS, OR ANY OTHER PARTY FOR ANY LOSS, DAMAGE, OR INJURY WHICH RESULTS FROM THE USE BY THE PARTY, A CUSTOMER, OR ANY OTHER PARTY OF INVENTORY DELIVERED TO THE OTHER PARTY OR A CUSTOMER UNLESS THE LOSS OR DAMAGE RESULTS DIRECTLY FROM THE INTENTIONALLY TORTIOUS OR FRAUDULENT ACTS OR OMISSIONS OF VENDOR OR INTUIT, AS THE CASE MAY BE.

(b) IN NO EVENT SHALL ANY PARTY BE LIABLE TO ANY OTHER PARTY HERETO FOR ANY INCIDENTAL, SPECIAL, INDIRECT, PUNITIVE AND/OR CONSEQUENTIAL DAMAGES, EVEN IF THE PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES, ARISING FROM OR RELATED TO THE PERFORMANCE OR ANY FAILURE TO PERFORM ANY OF SUCH PARTY'S OBLIGATIONS UNDER THIS AGREEMENT. THE FOREGOING LIMITATION OF LIABILITY SHALL NOT APPLY TO LIMIT DAMAGE RECOVERY WHICH ARISES FROM OR IS RELATED TO (I) A PARTY'S GROSS NEGLIGENCE IN THE PERFORMANCE OF OR THE FAILURE TO PERFORM SUCH PARTY'S OBLIGATIONS HEREUNDER, OR (II) A PARTY'S BREACH OF ITS OBLIGATIONS UNDER **SECTION 12** OF THIS AGREEMENT. THE FOREGOING LIMITATION ON LIABILITY ALSO SHALL NOT SERVE TO LIMIT (A) ANY PARTY'S RECOVERY FOR DIRECT DAMAGES FOR BREACH OF THIS AGREEMENT OR ANY REMEDY SPECIFICALLY SET FORTH HEREIN, OR (B) EITHER PARTY'S OBLIGATION UNDER **SECTION 14** TO INDEMNIFY THE OTHER AGAINST CLAIMS MADE BY THIRD PARTIES.

17. **Dispute Resolution.** Except with respect to claims involving either party's intellectual property rights or the breach or anticipated breach of either party's obligations set forth in **Section 12**, each party agrees to submit in writing any dispute arising out of or relating to this Agreement to mid-level management representatives designated by each party, who will meet by conference or otherwise in an effort to resolve such dispute within five (5) days. If after the fifth day, such dispute cannot be resolved, then each party's respective Vice-President, or substantial equivalent, shall attempt to resolve the dispute. In the event that the Vice Presidents are unable to resolve any such dispute within twenty (20) days, the parties shall mutually determine a date and location for a meeting between the senior management of each party. Notwithstanding the foregoing, the parties agree, unless otherwise agreed in writing, (i) to try to resolve any such dispute within thirty (30) days after the commencement of any such dispute and (ii) to continue performance of their additional obligations hereunder that are not the subject of dispute during such period. Either party may bring an action in any court of competent jurisdiction if, at the expiration of such thirty (30) day period, the parties remain unable to resolve such dispute.

18. **General.**

(a) **Press Releases.** The parties may agree to issue joint press releases and other appropriate announcements and presentations regarding the existence or performance of this Agreement, the content and timing of which shall be mutually agreed upon by the parties in writing. Notwithstanding the foregoing, unless required by law, neither party will, without the prior written approval of the other party, make any public statement, press release, presentation, or other announcement relating to the terms, existence of or performance by either party of its obligations under this Agreement.

(b) **Assignment.** Neither party may assign this Agreement, in whole or in part, without the other party's prior written consent, which consent shall not be unreasonably withheld or delayed. Any attempt by either party to assign this Agreement other than as permitted above will be null and void. Subject to the foregoing, this Agreement shall be

binding upon and shall inure to the benefit of both parties, their successors and permitted assigns.

(c) Law and Jurisdiction. This Agreement shall be governed by and construed in accordance with the laws of the State of California, without regard to its conflicts of laws principles. The parties hereby consent to the exclusive jurisdiction and venue in the state and federal courts in either Orange County or Santa Clara County, California.

(d) Notice. Unless otherwise stated, all notices required under this Agreement shall be in writing and shall be considered given (i) when delivered personally; (ii) five (5) days after mailing, when sent certified mail, return receipt requested and postage prepaid; (iii) one (1) business day after dispatch, when sent via a commercial overnight carrier, fees prepaid; or (iv) upon delivery when sent by facsimile transmission confirmed by telephone. All communications will be addressed as follows (unless changed by notice):

To Vendor:
IM-Logistics
1600 East St. Andrew Place
Santa Ana, California 92705
Attn: Bryan Moynahan, Vice President
Phone: (714) 382-4808
Fax: (714) 566-7994

with a copy to:
Ingram Micro Inc.
1600 East St. Andrew Place
Santa Ana, California 92705
Attn: General Counsel
Phone: (714) 382-2924
Fax: (714) 566-9370

To Intuit:
Intuit Inc.
2650 Casey Ave.
Mountain View, California 94043
Attn: David Foster
Director, Supply Chain Management
Phone: (650) 944-2889
Fax: (650) 944-3033

with a copy to:
Intuit Inc.
2632 Marine Way
Mountain View, CA 94043
Attn: General Counsel, Legal Dept.

Phone: (650) 944-6000
Fax: (650) 944-6622

(e) Force Majeure. Except with respect to delays or failures caused by the negligent act or omission of either party, any delay in or failure of performance by either party under this Agreement will not be considered a breach of this Agreement and will be excused to the extent caused by war, riot or similar civil disturbance, concerted labor action, earthquake, or similar acts of God, provided that the party affected by such event shall immediately begin or resume performance as soon as practicable after the circumstances giving rise to the event of force majeure have abated. Excusable delays do not include lockout, shortage of labor, lack of or inability to obtain raw materials, fuel or supplies or any other industrial disturbance. In no event shall any occurrence of a force majeure event relieve Vendor of its obligations under **Section 9**. In the event that Vendor is not able to fully resume performance within thirty (30) days after the *force majeure* event has commenced, Intuit shall have the right to terminate this Agreement and/or the Statement of Work immediately upon written notice to Vendor.

- (f) Severability. If any provision of this Agreement is found illegal or unenforceable, such provision will be deemed restated, in accordance with applicable law, to reflect as nearly as possible the original intention of the parties, and the remainder of the Agreement will continue in full force and effect.
- (g) Entire Agreement. This Agreement, including any attachments, schedules or exhibits attached hereto, is the complete and exclusive agreement between the parties with respect to the subject matter hereof, superseding any prior agreements and communications (both written and oral) regarding such subject matter, including, but not limited to, the Initial Agreement. Notwithstanding the foregoing, nothing in this **Section 18(g)** shall be deemed to supercede the Statement of Work. This Agreement may only be modified, or any rights under it waived, by a written document executed by both parties.
- (h) Waiver. The failure by either party to enforce any term or provision of this Agreement will not be deemed a waiver of future enforcement by that party of that or any other term or provision.
- (i) No Third Party Beneficiaries. This Agreement is intended for the sole and exclusive benefit of the signatories and is not intended to benefit any third party. Only the parties to this Agreement may enforce it.
- (j) Counterparts. This Agreement may be executed in counterparts, each of shall constitute an original, and all of which shall constitute one agreement.
- (k) Headings. The headings in this Agreement are for convenience of reference only and have no legal effect.

IN WITNESS WHEREOF, the authorized representatives of the parties have executed this Agreement as of the date of Effective Date.

Ingram Micro Inc.

By: /s/ BRIAN C. MOYNAHAN
Name: Brian C. Moynahan
Title: VP/GM, Sales

INTUIT INC.

By: /s/ KEN R. MUDGE
Name: Ken R. Mudge
Title: VP Procurement & Operations

LIST OF EXHIBITS

EXHIBIT A	DESCRIPTION OF SERVICES
EXHIBIT B	PAYMENTS AND FEES
EXHIBIT C	SERVICE LEVEL COMMITMENTS
EXHIBIT D	[*]
EXHIBIT E	[*]
EXHIBIT F	INTUIT SECURITY REQUIREMENTS
EXHIBIT G	PERFORMANCE STANDARDS AND POLICIES

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Exhibit A

Description of Services

The Services shall include, but not be limited to, the following services (as those services are more fully described in the Statement of Work): (a) information technology services, including, but not limited to, reporting services relating to IML's provision of information technology; (b) inventory management services, including, but not limited to, services relating to postponement processes; (c) order management; (d) warehousing and receiving services, including, but not limited to, services relating to inventory control; (e) fulfillment services; (f) services relating to the launch and operation of a virtual warehouse; (g) transportation services for inbound and outbound Inventory, including, but not limited to, tracking services for the Inventory during shipment; (h) customer services, including, but not limited to, claims and return processes; and (i) invoicing services.

Exhibit B
Payments and Fees

Monthly Fixed Cost

- Dedicated Resources and Equipment \$[*]
- [*] \$[*]

Variable Cost

- Pick, pack and Ship (per unit) [*]
- Pick, pack and Ship (per unit) RUSH [*]
- Returns (per unit) [*]
- Product Destruction (per lb.) [*]
- [*] [*]
- [*] [*]
- [*] [*]
- Pallet Storage per month \$[*]/pallet
- [*] [*]
- Labor rates for [*] \$[*]/hr/person
 - Between 8 and 5 p.m. (local time) Mon. thru Fri
 - Overtime \$[*]/hr/person
- Other expenses and travel cost for [*] Cost+[*]

[*]

Freight Rates

See attached freight schedules.

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Proposed Intuit “CUSTOM RATES”

[*] *Ground Commercial*

weight	zone 2	zone 3	zone 4	zone 5	zone 6	zone 7	zone 8
1	[*]	[*]	[*]	[*]	[*]	[*]	[*]
2	[*]	[*]	[*]	[*]	[*]	[*]	[*]
3	[*]	[*]	[*]	[*]	[*]	[*]	[*]
4	[*]	[*]	[*]	[*]	[*]	[*]	[*]
5	[*]	[*]	[*]	[*]	[*]	[*]	[*]
6	[*]	[*]	[*]	[*]	[*]	[*]	[*]
7	[*]	[*]	[*]	[*]	[*]	[*]	[*]
8	[*]	[*]	[*]	[*]	[*]	[*]	[*]
9	[*]	[*]	[*]	[*]	[*]	[*]	[*]
10	[*]	[*]	[*]	[*]	[*]	[*]	[*]
11	[*]	[*]	[*]	[*]	[*]	[*]	[*]
12	[*]	[*]	[*]	[*]	[*]	[*]	[*]
13	[*]	[*]	[*]	[*]	[*]	[*]	[*]
14	[*]	[*]	[*]	[*]	[*]	[*]	[*]
15	[*]	[*]	[*]	[*]	[*]	[*]	[*]
16	[*]	[*]	[*]	[*]	[*]	[*]	[*]
17	[*]	[*]	[*]	[*]	[*]	[*]	[*]
18	[*]	[*]	[*]	[*]	[*]	[*]	[*]
19	[*]	[*]	[*]	[*]	[*]	[*]	[*]
20	[*]	[*]	[*]	[*]	[*]	[*]	[*]
21	[*]	[*]	[*]	[*]	[*]	[*]	[*]
22	[*]	[*]	[*]	[*]	[*]	[*]	[*]
23	[*]	[*]	[*]	[*]	[*]	[*]	[*]
24	[*]	[*]	[*]	[*]	[*]	[*]	[*]
25	[*]	[*]	[*]	[*]	[*]	[*]	[*]

Proposed Intuit Rates as a % Discount Off Street

[*] *Ground Commercial*

weight	Zone 2	zone 3	zone 4	zone 5	zone 6	zone 7	zone 8
1	[*]	[*]	[*]	[*]	[*]	[*]	[*]
2	[*]	[*]	[*]	[*]	[*]	[*]	[*]
3	[*]	[*]	[*]	[*]	[*]	[*]	[*]
4	[*]	[*]	[*]	[*]	[*]	[*]	[*]
5	[*]	[*]	[*]	[*]	[*]	[*]	[*]
6	[*]	[*]	[*]	[*]	[*]	[*]	[*]
7	[*]	[*]	[*]	[*]	[*]	[*]	[*]
8	[*]	[*]	[*]	[*]	[*]	[*]	[*]
9	[*]	[*]	[*]	[*]	[*]	[*]	[*]
10	[*]	[*]	[*]	[*]	[*]	[*]	[*]
11	[*]	[*]	[*]	[*]	[*]	[*]	[*]
12	[*]	[*]	[*]	[*]	[*]	[*]	[*]
13	[*]	[*]	[*]	[*]	[*]	[*]	[*]
14	[*]	[*]	[*]	[*]	[*]	[*]	[*]
15	[*]	[*]	[*]	[*]	[*]	[*]	[*]
16	[*]	[*]	[*]	[*]	[*]	[*]	[*]
17	[*]	[*]	[*]	[*]	[*]	[*]	[*]
18	[*]	[*]	[*]	[*]	[*]	[*]	[*]
19	[*]	[*]	[*]	[*]	[*]	[*]	[*]
20	[*]	[*]	[*]	[*]	[*]	[*]	[*]
21	[*]	[*]	[*]	[*]	[*]	[*]	[*]
22	[*]	[*]	[*]	[*]	[*]	[*]	[*]
23	[*]	[*]	[*]	[*]	[*]	[*]	[*]
24	[*]	[*]	[*]	[*]	[*]	[*]	[*]
25	[*]	[*]	[*]	[*]	[*]	[*]	[*]

[*] [*] [*] [*]

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[*]

NEXT DAY PRIORITY SERVICE (BY NOON)

Weight	Zone					
	A	B	C	D	E	F
0 – 500	[*]	[*]	[*]	[*]	[*]	[*]
501 — 1000	[*]	[*]	[*]	[*]	[*]	[*]
1001 — up	[*]	[*]	[*]	[*]	[*]	[*]

Minimum - [*]

NEXT DAY SERVICE (BY 5:00 PM)

Weight	Zone					
	A	B	C	D	E	F
0 – 500	[*]	[*]	[*]	[*]	[*]	[*]
501 — 1000	[*]	[*]	[*]	[*]	[*]	[*]
1001 — up	[*]	[*]	[*]	[*]	[*]	[*]

Minimum - [*]

SECOND DAY SERVICE

Weight	Zone					
	A	B	C	D	E	F
0 – 500	[*]	[*]	[*]	[*]	[*]	[*]
501 — 1000	[*]	[*]	[*]	[*]	[*]	[*]
1001 — up	[*]	[*]	[*]	[*]	[*]	[*]

Minimum - [*]

THREE DAY SERVICE

Weight	Zone					
	A	B	C	D	E	F
0 – 500	[*]	[*]	[*]	[*]	[*]	[*]
501 — 1000	[*]	[*]	[*]	[*]	[*]	[*]
1001 — up	[*]	[*]	[*]	[*]	[*]	[*]

Minimum - [*]

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Inbound LTL and TL – (Retail Only)

Ingram Micro will source LTL and TL carriers through our current optimization model. Based on cost/service parameters, the selection will be tied to the desired service level and lowest cost provider

National Inbound LTL Players

[*]

LTL Inbound Transit Times

<i>Carrier</i>	<i>From</i>	<i>To</i>	<i>Days</i>
[*]	[*]	[*]	[*]
	[*]	[*]	[*]
	[*]	[*]	[*]
	[*]	[*]	[*]
[*]	[*]	[*]	[*]
	[*]	[*]	[*]
	[*]	[*]	[*]
	[*]	[*]	[*]

* Indicates the preferred LTL carrier selection based on transit and “normal” business flow.

The current Inbound LTL pricing is based on a flat rate per pound of [*].

National Inbound TL Players

[*]

The TL player or combo thereof will be selected based on commitment to the TL sourcing required to meet service levels. TL carriers are insured for [*] per load. Under no circumstance can truckload product value shipped from MMI be over [*] in replacement cost. [*] Costs are subject to change for various reasons including but not limited to fuel surcharge. The current rates in effect are as follows:

<i>From</i>	<i>To</i>	<i>Rate/Mile</i>	<i>Fuel Surcharge/Mile</i>	<i>Markup</i>	<i>Total Cost</i>
[*]	[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]	[*]	[*]

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Outbound Freight Sourcing – (Retail Only)

IML will make available to Intuit the complete list of carriers that have current contracts in place with IML. IML will leverage IM-First for pre-paid carrier selection, which optimizes the freight by shipping lane. Inbound and Outbound freight rates are subject to change at any time.

For shipments other than LTL and TL, IML will leverage the current IML volume freight rates and will provide Intuit market competitive rates including an administrative fee that is based on IML's markup.

The current Outbound LTL pricing is based on a flat rate per pound of [*].

Outbound TL pricing will be addressed on an as needed basis through a process of market spot quotation.

In the event that Intuit would instruct IML to 3rd Party Bill Freight charges, Intuit agrees to open discussions with IML regarding the back-end costs incurred by IML and how those can be shared.

[*]

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DOMESTIC ZONE CHART

[Graphic – map of the United States showing breakdown of shipping regions for the shipper [*]]

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Ingram Micro

SAME DAY / NEXT FLIGHT OUT

Minimum [*]
Rate Per Pound [*]

PRIORITY SERVICE (BY NOON)

Minimum \$ [*]

ZONE	A	B	C	D	E	F
0 — 500	[*]	[*]	[*]	[*]	[*]	[*]
501 — 1000	[*]	[*]	[*]	[*]	[*]	[*]
1001 & UP	[*]	[*]	[*]	[*]	[*]	[*]

NEXT DAY SERVICE (BY 5:00 PM)

Minimum \$ [*]

ZONE	A	B	C	D	E	F
0 — 500	[*]	[*]	[*]	[*]	[*]	[*]
501 — 1000	[*]	[*]	[*]	[*]	[*]	[*]
1001 & UP	[*]	[*]	[*]	[*]	[*]	[*]

SECOND DAY SERVICE

Minimum \$ [*]

ZONE	A	B	C	D	E	F
0 — 500	[*]	[*]	[*]	[*]	[*]	[*]
501 — 1000	[*]	[*]	[*]	[*]	[*]	[*]
1001 & UP	[*]	[*]	[*]	[*]	[*]	[*]

THREE DAY SERVICE

Minimum \$ [*]

ZONE	A	B	C	D	E	F
0 — 500	[*]	[*]	[*]	[*]	[*]	[*]
501 — 1000	[*]	[*]	[*]	[*]	[*]	[*]
1001 & UP	[*]	[*]	[*]	[*]	[*]	[*]

• Rates are Door to Door and subject the terms and conditions of the Agreement.

• [*]

• [*]

• [*]

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Exhibit C

Service Level Commitments

Beginning January 1, 2002, IML shall be required to perform the Services in accordance with the Service Level Commitments described in this **Exhibit C**.

Order Management & Customer Service

- [%] of orders will be printed (released to the warehouse) on the same business day received. This calculation will exclude all exception orders such as new store opening, future dated orders, ship completes, backorders, and pallet orders.
- [%] of all electronic proof of delivery (ePOD) data that is provided by the carriers (that have existing EDI 214 connections with IML) will be delivered to Intuit within [%] of report availability from carrier to IML.
- [%] of all manual proof of delivery (POD) information (from those carriers that do not have existing EDI214 connections with IML) will be delivered to Intuit within [%] of delivery notification from carrier to IML.
- No less than [%] uptime of online access to IML's system (Impulse) via IngramMicro.com and/or CAPS during regular business hours due to an IML systemic failure. IML will notify Intuit a minimum of [%] prior to any Scheduled Downtime (as defined herein) to IML's systems (IMPulse, IngramMicro.com and CAPS).
- IML response to customer shipment claim inquiries (as defined in the Statement of Work) is no more than 48 hours from the time IML receives the customer inquiry. IML will provide final resolution (acceptance or denial) on 98% of all claims within 15 business days.

Fulfillment Services

- [%] On-Time Fulfillment: Provided IML has adequate Inventory to fulfill the order, and provided the order is received before the[%]. (Local Standard Time) Cut-Off Time, IML will process [%] of all printed orders on the business day received unless daily volume exceeds [%] orders, [%] lines, or [%] units in the [%] facility and [*] orders, [%] lines, or [%] units in the [%] facility. Printed orders in excess of these amounts will be given an additional business day for processing. This calculation will exclude all exception orders such as new store opening, future dated orders, ship completes, backorders, and pallet orders. [%] of those orders released after the[%]. (Local Standard Time) Cut-Off Time will be processed by IML by the Cut-Off Time on the following business day.
- [%] Fulfillment Accuracy: calculated by adding the total approved short ship units (code SS) + overship units (code OS) + warehouse picking error units (code WW) and dividing the sum by total units shipped

[*]

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ERP and IT Integration

- [*]% up time for any IML-operated FTP site used for scheduled business transactions for Intuit and or its business partner(s)
- Turnaround time of no more than one hour for an EDI997 response to an Intuit EDI850 transaction provided no value added network (VAN) outages.
- [*]% Advanced Ship Notice (ASN/EDI856) accuracy as measured by Intuit number of monthly failure notifications caused by IML.
- No more than [*] within a given month where IML business applications fail to process or send scheduled transactions.
- IML will communicate any IML system failures affecting Intuit, and provide to Intuit updates as to the status of such failures based on the following escalation procedure:

Priority Level	Description	Escalate After	First Update to Customer
P1	Production system is down; unable to conduct business or possibility of immediate severe financial impact to business	[*]	1 hour from time of original call
P2	Production system partially impacted; business continues; some financial impact possible	[*]	2 - 3 hours from time of original call
P3	Minimal Impact to production systems	[*]	Within 24 hours

- IML will notify Intuit once per day of all rejected orders on the FTP EDI acknowledgment report (EDP945), which will be posted, to the Intuit/IML FTP site nightly. In addition, IML will notify Intuit within 3 business hours of any order that is rejected the same day it has been received by IML.
- IML will ensure Impulse up time % of at least [*]% of the time during the term excluding Scheduled Down time for batching and end of fiscal month activity as follows:

For purposes of these Service Level Commitments, "Scheduled Downtime" for IML's CAPS and the WEB systems include downtimes that affect Intuit's access to real time pricing and availability, ordering, order status and rma status; provided that such downtimes occur during the following times:

Monday thru Friday — Midnight to 4AM PST

Saturday — 8PM to Midnight PST

Sunday — Midnight to 9AM and 3PM to 7PM PST

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Scheduled Downtime shall also include the following times:

IML's system shuts down on Saturday at 3PM PST until Monday at 4AM PST on the following dates during the remainder of this fiscal year:

August 25, 2001

September 29, 2001

October 27, 2001

November 24, 2001

December 29, 2001

IML will publish scheduled downtime dates for years 2002 & 2003 as they become available.

These additional periods of Scheduled Downtime are necessary because IML performs batch processing for its fiscal month ends and shuts down its systems during these times.

Orders received during downtimes will be queued and processed when the system is available.

Report Capabilities & Metrics

- Intuit will rely upon [*]% accuracy for all IML produced reports. IML will perform self-audits to ensure accuracy and inform Intuit immediately of any defects and provide Intuit with a corrective action plan within 1 business day. Intuit may conduct random audits to ensure compliance. Accuracy of IML reports is considered critical to business and Intuit will institute the following plan:

[*]

- Timeliness of reports. Daily FTP files to be available by 5:30 AM PST and the weekly FTP files to be available by 5:30 AM PST Monday mornings.
- Reports covered by these Service Level Commitments are described in in Attachment C of the Statement of Work.

Warehousing & Inventory Management

- [*]% Sku/Product set up accuracy, based on Intuit-provided information/Sku set up documentation.
- [*]% Inventory Shrinkage Accuracy based on twice yearly physical audits and calculated based on total sku level net physical inventory adjustments in units divided by total inventory movement in units from the previous physical inventory date. IML will resolve any inventory discrepancy within [*] and report back data, root cause and solution to Intuit.

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- [%] Inventory Accuracy based on daily cycle count/shortages. Monthly calculation on absolute cycle count unit inventory adjustments divided by total inventory unit movement. IML will resolve any inventory discrepancy within [%] and report back data, root cause and solution to Intuit.
- No more than [%] of all Intuit's contract manufacturer's Less than Truckload (LTL) and Truckload (TL) orders arriving no more than [%] business days for **Replenishment** and, upon Intuit's request, [%] business day for expedited orders from Intuit's contract manufacturer's facility to IML's distribution center and as scheduled below.
 - Intuit's contract manufacturer located in [%]
 - Intuit's contract manufacturer located in [%] (except [%], which will be [%] business days)

Countdown to measure this service level will start [%]. Shipment date = day 0. Corrective action is as follows in the schedule below. [%]

Returns Management

- [%] accuracy on returns reconciliation calculated on total Intuit-approved return unit discrepancies (code RT) divided by total return unit inventory movement.
- [%] of all data collection for door logging of all inbound RMA's, inclusive of shipping ID number for audit purposes
- Returns Cycle Time: No more than [%] business days to process Intuit returns from the date of IML's receipt of such returns.

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EXHIBIT D

[*]

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Exhibit E

[*]

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Exhibit F: Basic Security Requirements for Customer Data

Definitions

For the purposes of this Exhibit, the following definitions shall apply.

Personally-Identifiable Information: Information that identifies or can be used to identify, contact, or locate the person to whom such information pertains. It includes, without limitation, the following information:

Secret Information: Information that is used to protect other Personally-Identifiable Information. Generally, Secret Information is not disclosed to outside parties under any circumstances. Secret Information includes customer passwords, private encryption keys, and private signature keys.

Sensitive Information: Any information that could be misused in such a way as to jeopardize the financial or legal position of its owner, or of the person or company described by the information. Sensitive Information includes customer account numbers, Social Security numbers, taxpayer identification numbers, credit card numbers, customer account balances, customer financial information and transactional activity, medical records, and legal records.

Restricted Information: Information that is not Secret or Sensitive, but whose permissible use has been restricted by its owner. Restricted information includes customer names, customer street or e-mail addresses, customer telephone numbers, and records of customer services and other data relating to the products and services offered, received, or purchased by customers of Intuit or the Company.

A. Controlling Access to Personally-Identifiable Information

1. Access to Personally-Identifiable Information stored on Company's systems must not be granted to members of Company's staff, subcontractors, or other agents, unless all of the following conditions are met:
 - a) The staff member, subcontractor, or other agent requesting the access can be uniquely identified (*e.g.*, by a unique User ID)[*];
 - b) The staff member, subcontractor, or other agent requesting the access has entered a correct password or other authorizing token to indicate that he/she is the authorized user of this account. If passwords are the only method used for authentication, they must satisfy certain minimal standards mutually agreeable to Intuit and Company that make them sufficiently robust to effectively resist both educated guessing and brute-force attacks. [*]
 - c) In all cases, access permissions must be established in a manner that allows only for the minimum access level(s) required for each staff member, subcontractor, or other agent to perform his or her job function. The ability to read, write, modify or delete Personally-Identifiable Information must be limited to those individuals who are specifically authorized to perform those data maintenance functions.
 - d) [*]
2. Personally-Identifiable Information stored on Company's systems must be stored behind firewalls with access to such information limited as described in paragraph A.1.
3. It is recommended that Secret Information never be stored in clear text on Company's systems. At a minimum, it is recommended that financial services industry-standard encryption techniques be employed to safeguard Secret Information in Company's systems from retrieval by unauthorized persons. Whenever possible, it is recommended that message digest algorithms such as SHA-1 or MD5 be used to hash and verify the user's password, and that "salt" be added to the input string prior to encoding to make it unlikely that the same password text chosen by different users will yield identical encodings.
4. Passwords used by Company's customers are *not* required to conform to the password standards described in paragraph A.1.b; however, Company must not provide any of its customers with access to Personally-Identifiable Information other than that which pertains to such customer, except as permitted in writing by the affected person or as otherwise required by law.
5. Procedures must be in place to modify or revoke access permissions to Personally-Identifiable Information when staff members leave the Company or when their job responsibilities change.
6. Printed material that contains Personally-Identifiable Information must be stored in secured areas to which access is limited to those staff members who have a business need to access it. It must also be disposed of in a secure manner. Whenever possible, it is recommended that secure disposal alternatives such as on-site shredding prior to recycling or placement in publicly-accessible locked trash bins with subsequent off-site shredding by a licensed contractor be implemented.

B. Transmitting Personally-Identifiable Information

1. Unless restricted by law, or as discussed in paragraph D.1, Company must not electronically transmit Secret or Sensitive Information over publicly-accessible networks without using 128-bit SSL or another

* We have requested confidential treatment for certain portions of this document pursuant to an application for confidential treatment sent to the Securities and Exchange Commission (SEC). We omitted such portions from this filing and filed them separately with the SEC.

mechanism that affords similar or greater security and confidentiality. If legal restrictions limit the use of 128-bit SSL encryption technology, Company must use the strongest encryption technology permitted.

2. Personally-Identifiable Information must never be passed in a URL (*e.g.*, using a **Get** method) in a manner that potentially exposes the information to third parties and causes such information to appear in log files.

C. *Maintaining a Secure Environment*

1. To protect the accuracy and integrity of Personally-Identifiable Information, all such data stored in electronic form must be backed up regularly (no less often than weekly), and the backups stored in secure, environmentally-controlled, limited-access facilities.
2. Company must use commercially-reasonable efforts to install any security-related fixes identified by its hardware or software vendors, if the security threat being addressed by the fix is one that significantly threatens the privacy or integrity of any Personally-Identifiable Information covered by this Agreement. Such upgrades must be made as soon as they can safely be installed and integrated into Company's existing architecture and systems.
3. Intuit may, from time to time, advise Company of recent security threats that have come to its attention, and require Company to implement specific modifications to its software, policies, or procedures that may be necessary to counter these threats. Company must implement these modifications within a mutually-agreeable time, or must obtain written permission from Intuit to take some other commercially-reasonable course of action to preserve the privacy and integrity of any Personally-Identifiable Information.
4. Company must immediately notify the Intuit Security SPOC (see below) if it knows or suspects that Personally-Identifiable Information has been compromised or disclosed to unauthorized persons, or if there has been any meaningful or substantial deviation from the requirements of this Exhibit.
5. Notwithstanding the minimum standards set forth in this Exhibit, Company must use commercially-reasonable efforts to monitor and periodically incorporate reasonable industry-standard security safeguards.

D. *Electronic Mail*

1. Company must not send any Secret Information in an e-mail message over publicly-accessible networks unless the e-mail is encrypted using a previously-approved encryption mechanism or is otherwise made secure with an approach that has been mutually agreed upon in advance by Intuit and Company. It is recommended that Company not send any Sensitive or Restricted Information in an e-mail message over publicly-accessible networks unless the e-mail is encrypted or otherwise secured as described above.
2. Company and its subcontractors and agents must not reveal the Personally-Identifiable Information of one customer to any other customer or other third party, in any e-mail or other communication, except as permitted in writing by the affected person, as deemed appropriate in light of the interests of the affected person, or as otherwise required by law.

E. *Reviews, Audits, and Remedies*

1. Upon 14 days' prior written notice to Company, Intuit (or its agent) may enter Company's premises and inspect such of Company's books, records, facilities and computer systems as Intuit and Company shall mutually agree is necessary to ensure that Company complies with the terms and conditions of this Exhibit. Intuit or its agent shall comply with Company's standard policies and procedures that apply to third party companies that have access to Company's premises, and Intuit or its agent shall access Company's premises during Company's normal business hours.
2. Notwithstanding any cure period in this Agreement to the contrary, Intuit, at Intuit's reasonable discretion, may require correction of any demonstrated problem that significantly threatens the security of Personally-Identifiable Information within a shorter period of time. Intuit shall provide written notice of the problem to Company, and Company must immediately take appropriate steps to correct the problem. If Company fails to correct any demonstrated security problem within a commercially-reasonable time, factoring in the work that must be completed to address the problem, and resulting in the material disclosure or threatened disclosure of Personally-Identifiable Information, Intuit may instruct Company to take such interim measures as are necessary to protect Personally-Identifiable Information. If Company fails or refuses to take such interim and/or permanent measures which are necessary to prevent the material disclosure of Personally-Identifiable Information within a commercially reasonable time, Intuit may terminate any and all affected agreements between Intuit and Company for cause.

F. *Compliance with U.S. Laws and Regulations*

Company shall comply with all applicable federal, state, and local laws and regulations.

G. *Changes to Requirements*

Intuit may, in its sole discretion, amend these requirements from time to time, as required by law or otherwise.

H. Contact Information

The primary business contact person for each party under this Agreement shall designate a primary and an alternate single point of contact for security issues for such party (a "Security SPOC") and provide mail, email, telephone, home telephone, and pager or portable telephone contact information for such persons. Both parties agree that either the primary or alternate Security SPOC will be available at all times ("24/7/365"). Such designation and information must be given in writing to the other party within ten (10) business days after the effective date of the Agreement. Any updates to the same shall be given promptly in writing to the other party.

Exhibit G

Intuit Performance Standards and Guidelines

Vendor agrees to adhere to the following standards for performance under this Agreement:

- 1) Personal Conduct. Vendor, including its employees and subcontractors, shall adhere to the same type of rules of personal conduct governing Intuit's employees, including, without limitation, the following rules of conduct:
 - (a) No person under the influence of intoxicants or narcotics shall be allowed on Intuit's property, nor shall any person have in his or her possession any intoxicant or narcotics.
 - (b) Unprofessional conduct such as horseplay, wrestling, fighting, gambling, fighting, and threatening behavior, will not be permitted.
 - (c) There shall be no instances of sexual harassment or **any** other type of harassment of any kind, including harassment on the basis of sex, race, color, religion, gender, age, mental or physical disability, medical condition, national origin, martial status, veteran status, sexual orientation, or other characteristic protected under federal or state law or local ordinance. Vendor's personnel shall not harass any other person by verbal, physical, or visual means or in any manner.
- 2) Accident Prevention. Vendor, including its employees and subcontractors, shall exercise precaution at all times during the performance of Services in connection with this Agreement for the protection of persons (including Vendor's employees and subcontractors) and property. Vendor shall observe any and all safety provisions of applicable laws and regulations. Vendor shall guard machinery and equipment, and eliminate any other hazards in accordance with the applicable *Safety Orders of the Industrial Accident Commission of the State of California*. Vendor shall provide all necessary barriers, signs, lights, and watchmen during the performance of Services in connection with this Agreement. Any and all damages during the performance of the Services under this Agreement from whatever cause, shall be borne and sustained by Vendor, and all work shall be solely at Vendor's risk until it has been finally approved and accepted by Intuit.
- 3) Security. Vendor shall at all times perform Services under this Agreement in a manner to avoid the risk of loss, theft, or damage by vandalism, sabotage or other means to any property. Vendor shall promptly take all reasonable precautions which are necessary and adequate to protect against conditions which involve a risk of loss, theft or damage to its property, Intuit's property, and the work site. Vendor shall continuously inspect all its work, materials, and equipment facilities to discover and determine any of the above-described conditions and Vendor shall be solely responsible for discovery, determination and correction of any such conditions. Vendor shall cooperate with Intuit on all security matters and Vendor shall promptly comply with any project security requirements established by Intuit. Compliance with these security requirements shall not relieve Vendor of its responsibility for maintaining adequate security, nor shall such compliance be construed as limiting Vendor's obligation to undertake reasonable action as required to comply with the terms and conditions of this Agreement. Vendor shall prepare and maintain accurate reports of incidents of loss, theft or vandalism and Vendor shall furnish these reports to Intuit in a timely manner. Vendor is solely responsible for the safety of its own personnel.

4) Entry on Intuit's Property. While Vendor is on Intuit's property, Vendor will maintain strict work discipline and shall comply with Intuit's site policies, procedures, and programs relevant to Vendor's provision of Services. In the event of any accident or other occurrence resulting in personal injury or illness when Vendor is on Intuit's property, Vendor shall immediately notify Intuit. Upon Intuit's request, Vendor shall provide Intuit with documentation fully describing the accident and injury or illness and the actions implemented to prevent similar occurrences.

5) Governmental Permits and Notifications. Vendor shall investigate the need for, and shall procure in its own name to the extent allowed by law, all governmental permits, notifications, approvals and inspections required for the performance of Vendor's Services under this Agreement. Vendor shall promptly notify Intuit in writing if any such permit or approval lapses, or is modified or revoked. If, under applicable law, any such permits or approvals must be procured in Intuit's name, Vendor shall promptly so inform Intuit and shall assist Intuit in obtaining such permits or approvals.

6) Occupational Safety and Health. All laws, interim and permanent standards, rules and regulations of the Occupational Safety and Health Act; all state and federal laws and regulations relating to safety and health standards, procedures and programs relating to safety and health are incorporated into this Agreement by this reference. Vendor agrees to perform the Services in compliance with, and to furnish only supplies, articles, and equipment that comply with, such laws, standards, regulations, policies, procedures, and programs.

7) Warning Signals. To the extent required by law or necessary to protect the health and safety of Intuit's employees, agents and visitors, Vendor shall ensure that the area of work where Vendor is to furnish the Services is appropriately isolated and posted with clear and conspicuous warning notices advising Intuit's employees, agents and visitors of any hazards that may be associated with the work performed by Vendor hereunder.

8) Cooperation. Vendor shall cooperate with Intuit in performing Services under this Agreement so as to minimize any potential interference with Intuit's other activities, to protect the safety and health of Intuit's employees, agents and visitors, and to safeguard the security and integrity of Intuit's property.

9) Environmental Health and Safety: Vendor shall comply with Intuit's environmental, health, and safety site policies, procedures, and programs that may apply to Vendor's obligation to provide Services. Vendor acknowledges and agrees that it is Vendor's responsibility to understand all site policies, procedures, and programs relating to environmental protection, safety and health and to ensure that Vendor's employees and contractors understand such policies, procedures, and programs. Vendor agrees to provide Services in compliance with, and to furnish only supplies, articles, and equipment that comply with such policies, procedures, and programs.

10) Releases to Environment: In performing Services under this Agreement, Vendor shall not discharge, release or emit, or cause to be discharged, released or emitted, any hazardous or non-hazardous substance into the environment, without the prior written approval of an authorized representative of Intuit's Environmental, Health and Safety Department. If any discharge, release or emission not so approved by Intuit occurs, Vendor shall inform Intuit immediately, shall promptly undertake all reasonable efforts to contain and cease such activity, and shall restore all property to its original condition.

11) Hazardous Materials. Whenever Vendor uses or stores flammable, explosive, or other hazardous materials or hazardous equipment or uses hazardous or unusual methods necessary for its performance of the Services, Vendor shall exercise utmost care and shall carry on such activities under supervision of properly trained personnel and in accordance with all Intuit policies, programs and procedures related to hazardous materials. Vendor shall not take any remedial action with regard to hazardous materials used in the performance of the Services or enter into any settlement agreement, consent decree or other compromise relating thereto without first notifying Intuit in writing of Vendor's intention to do so and affording Intuit ample opportunity to protect its interests. Whenever Vendor is aware of any of the following actions regarding hazardous materials that are instituted, completed or threatened, Vendor shall immediately notify Intuit, in writing: i) any government or regulatory action, ii) any claim against Vendor or Intuit, and iii) any reports, complaints, notices or warnings of asserted violations to any governmental agency.

12) Waste Handling. Vendor shall manage, handle and dispose of all wastes generated by its Services properly and in accordance with all applicable governmental requirements, including those applicable to hazardous waste and all Intuit policies, programs, and procedures related to waste handling. Vendor shall promptly deliver to Intuit copies of manifests or applicable shipping documents reflecting the legal and proper disposal of any hazardous materials that Vendor has caused to be removed from any of Intuit's premises. Except as otherwise approved in writing by an authorized representative of Intuit, Vendor shall not (i) dispose of any waste on, in, under or about Intuit's property or any container thereon, or (ii) list Intuit as a waste generator.

13) Disputes and Work Stoppages. No dispute between labor organizations and Vendor shall be permitted to occur or be manifested on any Intuit site, and Vendor agrees to employ personnel and other agents for the Services who will work at all times in harmony with Intuit's personnel and other agents. Vendor agrees not to participate in or encourage any cessation of the Services that may occur as a result of any such labor dispute, however Vendor may participate in lawful negotiations. Should there be a stoppage of the Services that involves, but is not limited to, the participation of Vendor's personnel or other agents, or third party actions involving informational or organizational picketing, Vendor agrees to take appropriate and prompt action to provide qualified personnel or other agents to perform the Services. If Vendor is unable to provide such personnel or other agents, Vendor agrees to reimburse Intuit any financial expenses incurred by Intuit in causing the Services to be provided by another.

MASTER AGREEMENT
Between INTUIT INC. and MODUS MEDIA INTERNATIONAL, INC.

ARTICLE 1
PARTIES

Section 1.1 Parties to the Agreement

THIS MASTER AGREEMENT (herein “Master Agreement” or “Agreement”) for services, effective November 1, 2000 (herein the “Effective Date”) is between INTUIT Inc. (herein “INTUIT”), a Delaware corporation located at 2535 Garcia Avenue, Mountain View, CA 94043, and MODUS MEDIA International, Inc., incorporated in Delaware (herein “MODUS MEDIA”), located at 690 Canton Street, Westwood, MA 02090.

In consideration of the mutual covenants contained herein, the parties hereby agree as follows:

ARTICLES 2
SERVICES

Section 2.1 Enterprise Members

Under this Agreement, INTUIT shall mean Intuit Inc. and any affiliate of INTUIT and all subsidiaries and related companies, that INTUIT controls by ownership of 45% or greater equity interest, or controls the day-to-day management of such companies by contract or otherwise, solely in connection with INTUIT’s relationship with such entity, provided such related company is not a direct competitor of MODUS MEDIA. See Schedule A for the comprehensive list of the Enterprise Members, which may be amended from time to time by written notice from INTUIT and MODUS MEDIA.

Section 2.2 Statement of Work

INTUIT, in its sole discretion, may engage MODUS MEDIA to perform services under a statement of work agreed to and signed by the parties (herein “Statement of Work”). MODUS MEDIA will provide the services (herein “Service”) as outlined in the Statement of Work. MODUS MEDIA will also provide such additional related services as are set out in such Statement of Work (herein “Related Services”). All terms and conditions contained in this Master Agreement apply to the Statement of Work. Any new Statement of Work introduced during the Term of this Agreement may be incorporated into this Agreement if both parties agree in writing to do so.

Section 2.3 Approved Facility

For business based in the United States and Canada, MODUS MEDIA will utilize a U.S. based facility or facilities (herein “Approved Facility”) for the delivery of Services for the Statement of Work. The Facility will be equipped with telephone systems, computer systems, and various MODUS MEDIA support tools, such as documentation and knowledge bases, to be used in the delivery of Services.

* We have requested confidential treatment for certain portions of this document pursuant to an application for confidential treatment sent to the Securities and Exchange Commission (SEC). We omitted such portions from this filing and filed them separately with the SEC.

For business based in the Asia/Pacific Rim region, MODUS MEDIA may utilize a facility in Singapore. For the European based business, MODUS MEDIA may utilize its facility located in Apeldoorn, The Netherlands and or Kildare, Ireland. The parties may add, delete, or change an Approved Facility at any time through a signed Amendment to this Master Agreement.

Section 2.4 Quarterly Reviews

Both parties agree to conduct quarterly business reviews to analyze the ability of MODUS MEDIA to meet INTUIT's service requirements. These reviews will be conducted in a mode (conference call, personal visit, etc) agreed upon by both parties. Specific dated and time for the Reviews will be schedule at least one month prior to event. These reviews will also be utilized to assist INTUIT in improving the overall service levels that they provide for their customers. INTUIT shall be responsible to provide a completed Quarterly Business Review scorecard that will be used to document and rate MMI's performance in all previously agreed metrics, to be set forth in the applicable SOW.

Section 2.5 Use Of INTUIT Resources

If given authorization to utilize INTUIT resources, MODUS MEDIA agrees to use the resources strictly for performing the Services hereunder. "INTUIT resources" means INTUIT's employees and agents, and INTUIT's tangible and intangible property. Any other or unauthorized use will subject MODUS MEDIA to immediate termination without further payment. Upon such termination, INTUIT does not waive any possible legal action arising from the unauthorized use of INTUIT resources.

ARTICLE 3 SERVICES

Section 3.1 Orders

An order (herein "INTUIT Order") is defined as a single request for services under any Statement of Work. To order Services under a Statement of Work, INTUIT shall issue a purchase order under the referenced Statement of Work for the Services to be performed by MODUS MEDIA. The terms and conditions of this Master Agreement and the referenced Statement of Work shall govern the Services and any printed terms and conditions on the purchase order or acceptance forms shall not apply. MODUS MEDIA shall examine the INTUIT Order and shall ask INTUIT for clarification if there is any ambiguity. MODUS MEDIA shall not perform Services without an INTUIT Order and with proper instructions. Services shall commence on the dated indicated in the INTUIT Order.

Section 3.2 Delays in Shipping.

Delays in shipping shall be reported immediately by MODUS MEDIA to INTUIT. MODUS MEDIA shall report the source of the delay, the expected time to correct the delay, the status of work in process, and the cost of the work in process. INTUIT reserves the right to cancel any order resulting from this Agreement in whole or in part if MODUS MEDIA fails to make deliveries in accordance with the terms of an INTUIT Order and this Agreement. If INTUIT cancels any order

under this section, MODUS MEDIA shall complete any work in process and INTUIT shall pay for such work in process based upon cost of the work in process reported by MODUS MEDIA to INTUIT (but not more than the actual cost of the work in process) and the other terms and conditions of this Agreement.

Section 3.3 Changes

INTUIT may order changes in the Service under a Statement of Work, All changes shall be evidenced by an executed Change Order form referencing the original purchase order number and Statement of Work. If adjustments to compensation are required, they shall be described in the Change Order. The terms and conditions are governing the Services shall continue in full force and effect except as expressly amended in the Change Order. If INTUIT knows it will experience a delay after the dated Services are scheduled to commence and requests MODUS MEDIA to remain on standby during that delay, INTUIT will reimburse MODUS MEDIA for reasonable standby costs as agreed to by the parties prior to commencement of the delay and described in a Change Order.

ARTICLE 4 INSURANCE

Section 4.1 Insurance

A) In the event MODUS MEDIA is to perform work on INTUIT's premises, MODUS MEDIA shall take out and maintain the following minimum insurance at its expense for the duration of any work performed under this Agreement for each such location:

a) Worker's Compensation	Statutory
b) Employer's Liability	\$1,000,000 each occurrence
c) Comprehensive General Liability (Bodily Injury)	\$2,000,000 each occurrence
d) Comprehensive General Liability (Property Damage)	\$2,000,000 each occurrence
e) Comprehensive Automobile Liability (Bodily Injury)	\$1,000,000 each occurrence
f) Comprehensive Automobile Liability	\$1,000,000 each occurrence

MODUS MEDIA shall have full and exclusive liability for the payment of, and MODUS MEDIA shall pay, any and all taxes and contributions for unemployment insurance, old age retirement benefits, workers' compensation insurance or benefits, life insurance, pensions, annuities and similar benefits and any other employment-related costs, obligations, and duties that may now or hereafter be imposed by law, collective bargaining agreements or otherwise with respect to persons employed by MODUS MEDIA for the performance of Services under this Agreement.

INTUIT to be named as an additional insured on the above policy(ies), except for Worker's Compensation. The public liability insurance specified in sections c) and d) hereinabove shall include coverage for MODUS MEDIA's contractual liability under Indemnity with limits not less than those set forth hereinabove. Every contract of insurance providing the coverage required herein shall contain the following clause: "No reduction, cancellation or expiration of this policy shall become effective until ten (10) business days from the date written notice is

actually received by INTUIT.” MODUS MEDIA shall not undertake any Work on INTUIT’s premises until all required insurance has been obtained and certificates confirming such coverage has been furnished to and approved by INTUIT.

MODUS MEDIA shall mail a certificate of insurance to the Intuit Purchasing Department, Attention: Director, Software Operations, within ten (10) days of receipt of the first purchase order placed under this Agreement. Mail to: 2700 C. Coast Avenue, Mountain View, CA 94043

ARTICLE 5 INVOICING AND PAYMENT

Section 5.1 Invoicing and Payment

MODUS MEDIA will invoice INTUIT as services are rendered and on no less than a weekly basis. MODUS MEDIA will provide separate invoices for operations in Lindon, Utah and Raleigh, North Carolina, and any other operating divisions performing services for INTUIT. In addition, MODUS MEDIA will bill and INTUIT will pay for Related Services and such other charges as are provided for herein on an as-incurred basis. Charges for Related Services not specifically provided for in this Agreement or the Statement of Work MUST be approved by INTUIT in advance of being incurred, otherwise INTUIT is under no obligation to pay unapproved expenses. INTUIT will pay MODUS MEDIA upon the following terms: net thirty (30) days from receipt of the invoice unless otherwise set forth in the applicable SOW. Notwithstanding the foregoing, the parties shall discuss superseding the prior provision and having INTUIT make payments by means of a Procurement Master Card credit card. In the event of a disputed invoice, INTUIT will pay the portion of the invoice that is not disputed, and will promptly pay the disputed portion once resolved.

Section 5.2 Application Sales Tax

Invoices will include local, state or federal sales, use or other similar taxes or duties, if application. MODUS MEDIA will be responsible for the proper computation and invoicing of sales taxes. Once submitted to INTUIT, INTUIT shall be responsible for the payment of any such taxes.

Section 5.3 Limitation Period on Invoices

Any and all invoices for Services must be submitted to the Intuit Accounts Payable Department within six (6) months of date such Services are rendered. Any invoices not received within the six (6) month timeframe shall be deemed to be forgiven by MODUS MEDIA. Similarly, INTUIT cannot dispute any invoice or portion thereof, paid or unpaid, more than six (6) months after the invoice date. This provision shall not apply to invoices relating to aged inventory, which is invoiced periodically as set forth in this Agreement or the applicable SOW.

Section 5.4 Liens

MODUS MEDIA shall keep INTUIT property free and clear of all third party liens, claims, and encumbrances arising from the performance of the Services provided under this Agreement by MODUS MEDIA. Before receiving payment for its Services, MODUS MEDIA shall certify and provide proof satisfactory to INTUIT that all material and equipment embodied in the work and all labor costs incurred on the work have been fully paid and discharged.

If any lien is filed, MODUS MEDIA shall promptly procure the release of such lien. MODUS MEDIA shall have the right to contest the validity or amount of any such lien; however, pending the discharge of any such lien of record, INTUIT may retain out of any monies that are due and payable to MODUS MEDIA an amount sufficient to discharge such lien and to reimburse INTUIT for any cost or expense incurred in any action or proceeding for the enforcement or removal of the lien. MODUS MEDIA agrees to reimburse INTUIT for all monies paid and expenses incurred by INTUIT in discharging such liens or otherwise incurred in connection with any action or proceeding for the removal or enforcement of the lien.

MODUS MEDIA shall include a provision satisfying the requirements of this clause as part of any and all subcontracts entered into for the work or any portion of the work.

ARTICLE 6 TERM AND TERMINATION

Section 6.1 Term

This agreement shall become effective as of 11/1/00 and shall continue until either party provides at least ninety (90) days notice of its intent to terminate the Agreement.

Section 6.2 Termination Based on Non-Performance

6.2.1 If MODUS MEDIA fails to perform the Services described in the referenced Statement of Work under an INTUIT Order in a timely manner or fails to perform any material provision of the Master Agreement or Statement of Work, MODUS MEDIA shall immediately take appropriate steps to perform such Services or to cure such failure. If MODUS MEDIA fails to cure the failure immediately and such failure causes a major impact on INTUIT's business operations (i.e. an impact causing immediate and material harm to INTUIT's business operations), INTUIT will provide a written warning to MODUS MEDIA. MODUS MEDIA will provide INTUIT reasonable assurances of future performance in writing within one (1) day and continue to work on the problem until it is resolved within seven (7) days of such written warning. If the failure cannot reasonably be cured within seven (7) days, MODUS MEDIA shall so notify INTUIT and commence to cure the failure immediately and diligently and in good faith continue to cure the failure. Notwithstanding any cure period, if INTUIT deems it necessary, in its sole discretion, INTUIT may move the Services to another vendor without liability to MODUS MEDIA during the cure period until such failure is cured.

6.2.2 If the failure to perform the Services described in the application Statement of Work under an INTUIT Order or breach of a provision of the Master Agreement or Statement of Work causes a minor impact on INTUIT's business operations, INTUIT shall give MODUS MEDIA written warning of such breach, and MODUS MEDIA must cure and maintain such cure within thirty (30) days of the receipt of the notice by MODUS MEDIA. If the failure cannot reasonably be cured within thirty (30) days, MODUS MEDIA shall so notify INTUIT and commence to cure the failure immediately and diligently and in good faith continue to cure the failure. Notwithstanding any cure period, if INTUIT deems it necessary, in its sole discretion, INTUIT may move all or part of the Services to another vendor without breach of this Agreement or liability to MODUS MEDIA during the cure period until such failure is cured. INTUIT may terminate this Agreement and/or any Statement of Work upon written notice if MODUS MEDIA fails to cure such breach within the cure period or such longer period of time as may be agreed by the parties.

6.2.3 MODUS MEDIA shall have the right to charge interest at the rate of twelve (12%) per annum under this Agreement until INTUIT remedies any payment delinquency. MODUS MEDIA may terminate this Agreement upon forty-five (45) days written notice if INTUIT fails to pay an undisputed invoice on two or more occasions within one (1) year or if INTUIT otherwise commits a material breach of this Agreement and does not remedy such breach within thirty (30) days of receipt of written warning from MODUS MEDIA.

6.2.4 Notwithstanding anything to the contrary in this Agreement, INTUIT may, at any time and at its sole convenience, with or without cause, terminate all or a portion of the Services in a particular INTUIT Order for Services under a Statement of Work by giving written notice to MODUS MEDIA specifying the date of termination. Should INTUIT terminate an INTUIT Order, MODUS MEDIA shall immediately stop its performance required under such Order and shall immediately cause any of its suppliers or subcontractors to cease such work as soon as possible. Upon receipt and verification of MODUS MEDIA's invoice, INTUIT shall pay MODUS MEDIA all amounts properly due owing up to that date, including the fees for the Order under the Statement of Work reflecting the work in process begun prior to the effective date of termination plus actual direct costs resulting from such termination. MODUS MEDIA shall not be paid for any work done after effective date of termination nor for any cost of MODUS MEDIA or of its suppliers or subcontractors which MODUS MEDIA could reasonably have voided. If INTUIT provides MODUS MEDIA with a written request to perform tasks as are necessary to demobilize the Services after the termination date,

MODUS MEDIA will perform such tasks and be compensated accordingly, as agreed to by both parties.

Section 6.3 Termination Without Cause

Either party shall also have the right to terminate this agreement without cause, for any reason, by providing one hundred and twenty (120) days' notice to the other party.

Section 6.4 Termination due to Bankruptcy

Either party shall also have the right to terminate the Agreement for cause if the other party becomes insolvent, files or has filed against it a petition under application bankruptcy or insolvency laws which is not dismissed within sixty (60) days, proposes any dissolution, composition or financial reorganization with creditors, makes an assignment for the benefits of creditors, or if a receiver, trustee, custodian or similar agent is appointed or takes possession with respect to any property or business of the defaulting party.

Notwithstanding anything to the contrary in this Agreement, if MODUS MEDIA shall file for protection under the bankruptcy laws, or if an involuntary petition shall be filed against MODUS MEDIA and not removed within ten (10) days, or if the MODUS MEDIA shall become insolvent, be adjudicated bankrupt, or if it should make a general assignment for the benefit of creditors, or if a receiver shall be appointed due to its insolvency, INTUIT may, without prejudice to any other right or remedy, terminate the Agreement, any Statement of Work and any INTUIT Order and, at its option may take possession of the "Work in Process" and finish the manufacture by whatever appropriate method INTUIT may deem expedient. To the extent reasonably possible, finished Products shall be stored separately from other stock and marked conspicuously with labels indicating ownership by INTUIT.

To secure INTUIT's progress payment prior to the shipment of the products, title to and first security interest in the product, any Work in Process, and materials required for the execution of

MODUS MEDIA's obligations under this Agreement and any work which MODUS MEDIA may subcontract in support of the performance of its obligations under this Agreement, shall vest in INTUIT to the extent INTUIT had made progress payments under this Agreement.

The parties hereby agree that this Agreement shall constitute the Security Agreement required by the Uniform Commercial Code of the appropriate states. Each party will execute promptly any financing statement required to perfect and protect the interest of the other as defined in this Agreement.

Section 6.5 Obligations Upon Termination or Expiration.

The termination or expiration of this Master Agreement shall in no way relieve either party from its obligations to pay the other party any sums accrued hereunder prior to such termination or expiration of affects the limitation of liability. All warranties and confidentiality provisions shall remain in effect for their stated duration.

Section 6.6 Disaster Recovery

Notwithstanding any provision to the contrary, INTUIT and the Enterprise Members shall have the right to take whatever reasonable actions are necessary, without liability to MODUS MEDIA, except for Services actually performed, in the event of a disaster (a) for the duration of a disaster and (b) for the purpose of keeping its business functioning. Disaster shall mean an unplanned interruption (a) in the ability of INTUIT and/or Enterprise Members to use the Services of MODUS MEDIA due to a cause beyond the control of INTUIT and /or Enterprise Member, which at the time of occurrence can reasonably be projected to last over four (4) hours or (b) in telecommunications to or from one or more of INTUIT's and/or the Enterprise Member, which at the time of occurrence can reasonably be projected to last over four (4) hours.

ARTICLE 7 INDEMNIFICATION

Section 7.1 Patent and Copyright Indemnification by INTUIT

7.1.1 "Intellectual Property Rights" means any of INTUIT's patent, trademarks, trade names, inventions, copyrights, design rights, know-how or trade secrets and any other intellectual property rights of INTUIT subsisting anywhere in the world, relating to the origin, design, manufacture, programming, operation or service of any INTUIT products.

7.1.2 MODUS MEDIA acknowledges INTUIT's representation that all Intellectual Property Rights throughout the world are vested in INTUIT absolutely, and acknowledges that MODUS MEDIA has no right or interest in any Intellectual Property Rights.

7.1.3 The "Territory" consists of the countries in which MODUS MEDIA performs Services for INTUIT and the countries into which MODUS MEDIA sells or distributes INTUIT products on INTUIT's behalf, under this Agreement.

7.1.4 INTUIT shall, at its own expense, defend MODUS MEDIA against all claims, suits, losses, expenses and liabilities (including MODUS MEDIA's reasonable attorney's fees) or arising out of any claim alleging that any INTUIT products sold or distributed by MODUS MEDIA on INTUIT's behalf hereunder infringes any duly issued patent or copyright of the United States or the Territory and shall pay all damages awarded therein against MODUS MEDIA or agreed upon in settlement by INTUIT; provided that MODUS MEDIA (i) gives INTUIT notice in writing of any such suit, proceeding or threat thereof, (ii) permits INTUIT sole control, through counsel of INTUIT's choice, to defend and/or settle such suit and (iii) give INTUIT all reasonably necessary information, assistance and authority, at INTUIT's expense, to enable INTUIT to defend or settle such suit.

7.1.5 Subsection 7.1.4, above, shall not apply to and INTUIT shall have no liability or obligation for any infringement arising from: (a) any modification, servicing or additional made to the INTUIT products by anyone other than INTUIT or its representative or agent, (b) the use of such INTUIT products as a part of or in combination with any devices, parts or software not provided by INTUIT, (c) compliance with MODUS MEDIA's design requirements or specifications, (d) the use of other than the then current unaltered release of the software INTUIT products available from INTUIT or (e) the use of such INTUIT products to practice any method or process which does not occur wholly within the INTUIT products. The above exclusions apply to the extent that the infringement would have been avoided but for such modifications, combinations, compliance with specifications, used of other than the current release or practice of such method or process.

7.1.6 In the event the use or sale of any INTUIT product distributed by MODUS MEDIA in accordance with the Statement of Work for the Fulfillment Services provided under the Master Agreement is enjoined, or in the event INTUIT wishes to minimize its potential liability hereunder, INTUIT may, at its sole option and expense: (i) procure for MODUS MEDIA the right to use or distribute such INTUIT products; (ii) substitute a functionally equivalent, non-infringing unit of the equivalent in functionality; or (iv) if none of the foregoing are commercially feasible, take back such INTUIT product and not distribute the product.

7.1.7 THIS SECTION STATES INTUIT'S TOTAL RESPONSIBILITY AND LIABILITY, AND MODUS MEDIA'S SOLE REMEDY, FOR ANY ACTUAL OR ALLEGED INFRINGEMENT OF ANY INTELLECTUAL PROPERTY RIGHTS FOR ANY INTUIT PRODUCTS DELIVERED HEREUNDER OR ANY PART THEREOF AND IS IN LIEU OF AND REPLACES ANY AND ALL OTHER EXPRESS, IMPLIED OR STATUTORY WARRANTIES OR CONDITIONS REGARDING INFRINGEMENT.

Section 7.2 General Indemnity by INTUIT

INTUIT shall, at its own expense, defend MODUS MEDIA against all claims, suits, losses, expenses and liabilities (including MODUS MEDIA's reasonable attorney's fee) for or arising out of any claim alleging personal injury, death, or damage to tangible property caused by INTUIT or as the result of the negligence or intentional wrongful acts or omissions, when there is a duty to act of awarded therein against MODUS MEDIA or agreed upon in settlement by INTUIT, provided that MODUS MEDIA gives INTUIT immediate notice in writing of any such suit, proceeding, or threat thereof, and permits INTUIT, through counsel of its choice, to answer the charges and defend and/or settle such suit; MODUS MEDIA gives INTUIT all reasonable necessary information, that is available to it, and all needed assistance and authority, at INTUIT's expense, to enable INTUIT to defend or settle such suit.

Section 7.3 Indemnity by MODUS MEDIA

MODUS MEDIA shall, at its own expense, indemnify and defend INTUIT against all claims, suit, losses, expenses, and liabilities (including INTUIT's reasonable attorney fees) for personal injury, death and tangible property damages made against INTUIT caused by MODUS MEDIA or as a result of the negligence, intentional wrongful acts or omissions, or misrepresentations of MODUS MEDIA or any person for whose actions MODUS MEDIA is legally liable.

MODUS MEDIA shall pay all damages awarded therein against INTUIT or agreed upon in settlement by MODUS MEDIA relating to this indemnity, provided that INTUIT gives MODUS MEDIA notices in writing of any such suit, proceeding, or threat thereof, and permits MODUS MEDIA, through counsel of its choice, to answer the charges and defend and or settle such suit; and INTUIT gives MODUS MEDIA all reasonably necessary information that is available to it and assistance and authority, at MODUS MEDIA's expense, to enable MODUS MEDIA to defend or settle such suit.

**ARTICLE 8
LIMITATION OF LIABILITY**

Section 8.1 Limitation of Liability

EXCEPT FOR LIABILITIES ARISING FROM BREACH OF SECTIONS 7.1 OR 10.1, TO THE FULL EXTENT ALLOWED BY LAW, THE PARTIES EXCLUDED ANY LIABILITY TO THE OTHER WHETHER BASED IN CONTRACT OR TORT (INCLUDING NEGLIGENCE). FOR INCIDENTAL, CONSEQUENTIAL, INDIRECT, SPECIAL OR PUNITIVE DAMAGES OF ANY KIND, OR FOR LOSS OF REVENUE OR PROFITS, LOSS OF BUSINESS, UNDER THIS AGREEMENT.

Section 8.2 Limitation of Damages

NOTWITHSTANDING ANY OTHER PROVISION OF THIS AGREEMENT, THE MAXIMUM LIABILITY OF EITHER PARTY TO THE OTHER FOR DAMAGES HEREUNDER SHALL NOT EXCEED THE TOTAL COST OF REPLACING THE PRODUCT GIVING RISE TO THE CLAIM, EXCEPT THAT THIS LIMITATION SHALL NOT APPLY TO AMOUNTS OWED FOR SERVICES PROVIDED AND UNPAID UNDER THIS AGREEMENT, DAMAGES ARISING FROM BREACH OF SECTIONS 7.1 OR 10.1.

**ARTICLE 9
WARRANTY AND WARRANTY DISCLAIMERS**

Section 9.1 Warranty

MODUS MEDIA represents and warrants that the Services furnished under an INTUIT Order shall comply with and conform to all specifications in the Statement of Work, to the best of MODUS MEDIA's knowledge will be free of defects in material and workmanship, and that it will provide the Services under the Agreement in a workmanlike manner by competent personnel and in conformance with generally accepted standards within its industries. MODUS MEDIA warrants and represents that it shall comply with all federal, state and local laws. MODUS MEDIA further warrants and represents to INTUIT that MODUS MEDIA shall keep the equipment and appliances needed to provide Services under an INTUIT Order in such condition as is required to perform their normal operations and for Modus Media to perform the Services in accordance with this Agreement. If any repairs or alterations must be made at any time MODUS MEDIA's equipment or appliances in order to prevent or remedy a breach of the foregoing warranty, MODUS MEDIA will immediately undertake such repair or alteration. In the event MODUS MEDIA is in breach of this section, INTUIT's initial remedy shall be to report the breach to MODUS MEDIA, and MODUS MEDIA shall cure the breach by either repairing or replacing the defective Product or by reperforming the Services, whichever is applicable, in accordance with the provisions and the timetables described in Section 6.2.

Section 9.2 Warranty Disclaimers

TO THE FULL EXTENT ALLOWED BY LAW, MODUS MEDIA DISCLAIMS ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATIONS, THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE WITH RESPECT TO ITS SERVICES.

**ARTICLE 10
CONFIDENTIALITY, SECURITY AND PUBLICITY**

Section 10.1 Confidentiality

During the course of this Agreement, each party may disclose to the other certain proprietary information (both patentable and unpatentable, including trade secrets, know how, software, source codes, techniques, future product plans, marketing plans, customers, inventions, discoveries, improvements, and research and development data) ("Confidential Information") of a character regarding by the disclosing party as confidential. Each party and each of its employees or consultants to whom disclosure is made shall hold all Confidential Information and the terms of this Agreement in confidence, and shall not disclose such information to any third party or apply it to uses other than the recipient's performance of this Agreement.

Such Confidential Information if disclosed in writing shall be marked or identified as confidential or a similar designation, or if orally or visually disclosed, shall be identified as the confidential information of the disclosing party at the time of disclosure and then summarized in writing and provided to the recipient in such written form within thirty (30) days after such oral or visual disclosure.

- (a) **Obligation of Confidentiality.** Each party agrees that for a period of three (3) years from receipt of Confidential Information from the other party hereunder, it shall use the same degree of care that it utilizes to protect its own information of a similar nature, but in any event not less than reasonable care to prevent the unauthorized use or the disclosure of such Confidential Information to third parties. The Confidential Information shall be disclosed only to employees and consultants of a recipient with a “need to know” who are instructed to and agree in writing to not disclose third party confidential information, and who shall use the Confidential Information only for the purpose set forth above. A recipient may not alter, decompile, disassemble, reverse engineer, or otherwise modify any Confidential Information received hereunder and the mingling of the Confidential Information with information of the recipient shall not affect the confidential nature or ownership of the same as stated hereunder.
- (b) **Ownership of Confidential Information.** All Confidential Information is, and shall remain, the property of the disclosing party. Nothing herein shall be construed as granting or conferring any rights by license or otherwise in the Confidential Information except as expressly provided herein. A recipient acquires hereunder only a limited right to use the Confidential Information solely for the purpose of performing its obligations under this Agreement.
- (c) **Return of Confidential Information.** Upon the written request of the disclosing party, or upon the expiration or any earlier termination of this Agreement, the recipient shall promptly return all copies of the Confidential Information, in whatever form or media, to the disclosing party or, at the direction of such party, destroy the same. The recipient shall certify in writing to the other such return or destruction within thirty (30) days thereafter.
- (d) **Exceptions to Obligations of Confidentiality.** This Agreement shall impose no obligation of confidentiality upon a recipient with respect to any portion of the Confidential Information received hereunder which:
 - (i) now or hereafter, though no unauthorized act or failure to act on recipient’s part, becomes generally known or available;
 - (ii) is lawfully known to the recipient without an obligation of confidentiality at the time recipient receives the same from the disclosing party, as evidenced by written records;
 - (iii) is hereafter lawfully furnished to the recipient by a third party without restriction on disclosure;
 - (iv) is furnished to others by the disclosing party without restriction on disclosure; or
 - (v) is independently developed by the recipient without use of the disclosing party’s Confidential Information.

Nothing in this Agreement shall prevent the receiving party from disclosing Confidential Information to the extent the receiving party is legally compelled to do so by any

governmental investigative or judicial agency pursuant to proceedings over which such agency has jurisdiction; provided, however, that prior to any such disclosure, the receiving party shall:

- (a) assert the confidential nature of the Confidential Information to the agency;
- (b) immediately notify the disclosing party in writing of the agency's order or request to disclose; and
- (c) cooperate fully with the disclosing party in protecting against any such disclosure and/or obtaining a protective order narrowing the scope of the compelled disclosure and protecting its confidentiality.

Section 10.2 Security

MODUS MEDIA shall at all times conduct all operations under this Agreement in a manner to avoid the risk of loss, theft, or damage by vandalism, sabotage or other means to any property. MODUS MEDIA shall promptly take all reasonable precautions which are necessary and adequate to protect against conditions which involve a risk of loss, theft or damage to its property, INTUIT's property, and the work site. MODUS MEDIA shall continuously inspect all its work, materials, and equipment facilities to discover and determine any of the above-described conditions and MODUS MEDIA shall be solely responsible for discovery, determination and correction of any such conditions. MODUS MEDIA shall cooperate with INTUIT on all security matters and MODUS MEDIA shall promptly comply with any project security requirements established by INTUIT. Compliance with these security requirements shall not relieve MODUS MEDIA of its responsibility for maintaining adequate security, nor shall such compliance be construed as limiting MODUS MEDIA's obligation to undertake reasonable action as required to comply with the terms and conditions of this Agreement. MODUS MEDIA shall prepare and maintain accurate reports of incidents of loss, theft or vandalism and MODUS MEDIA shall furnish these reports to INTUIT in a timely manner. MODUS MEDIA is solely responsible for the safety of its own personnel.

Section 10.3 Publicity

Neither party shall disclose, advertise or publish the terms or conditions of this Agreement without the prior written consent of the other party, except as may be required by law or pursuant to a lawful request of a government agency in which event the party required to make such disclosure shall notify the other party and provide the other party with reasonable opportunity to prevent such disclosure. This Section shall survive the expiration or termination of the Master Agreement.

ARTICLE 11 GENERAL PROVISIONS

Section 11.1 Relationship of Parties

MODUS MEDIA is an independent contractor and represents INTUIT solely for the purpose of performing its obligations on behalf of INTUIT as stated in this Master Agreement. MODUS MEDIA does not have the authority to bind INTUIT except as expressly stated herein. No provision of this Agreement or any act of the parties under this Agreement shall be construed to express or imply a joint venture, partnership, or relationship other than vendor and purchaser of the Services described in this Agreement.

Except as expressly noted herein, no employee, agent, or representative of either party shall have the authority to bind the other party in any way. No employee, agent, or other representative of either party shall at any time be deemed to be under the control or authority of the other party, or under the joint control of both parties. Each party shall be fully liable for all workers' compensation premiums and liability, federal, state and local withholding taxes or charges with respect to its respective employees, and each agrees to indemnify and defend the others from any claims brought against the other with respect to such claims.

Section 11.2 Compliance with Laws

MODUS MEDIA understands and acknowledges that, in performing any Services under an INTUIT Order, it may act only on instructions from INTUIT, and shall take appropriate technical and organizational measures against unauthorized or unlawful processing of confidential information and against accidental losses or destruction of, or damage to confidential information.

MODUS MEDIA shall perform its obligations under this Master Agreement in compliance with all applicable laws and regulations, including Generally Accepted Accounting Principles (GAAP).

Each party acknowledges and agrees that the Software, all documentation and other technical information delivered hereunder ("Technical Data") are subject to export controls imposed by the United States Export Administration Act 1979, as amended (the "Act") (or any future export control laws) and the Export Administration Regulations ("EAR") promulgated there under. MODUS MEDIA agrees not to export, reexport, or transmit, directly or indirectly, any Technical Data outside the United States or Canada without complying with the Act and without the prior written consent of the Bureau of Export Administration of the U.S. Department of Commerce, or such other governmental entity as may have jurisdiction over such export or transmission. MODUS MEDIA certifies that neither the Technical Data nor its direct product: (a) is intended to be used for any purpose prohibited under the Act of EAR including, without limitations, nuclear related activities or chemical or biological weapons or missiles; or (b) is intended to be shipped, exported or transmitted, either directly or indirectly to any foreign destination outside the United States or Canada. This section shall survive any termination or expiration of this Agreement.

INTUIT and MODUS MEDIA represents and warrant all products provided to MODUS MEDIA hereunder, including commodities, technology, and software, will be imported or exported in accordance with application laws and regulations including specifically U.S. laws and regulations. Diversion contrary to U.S. law is prohibited. Resale or reexport to Iraq, Sudan, Iran, Syria, Cuba, Libya or North Korea is prohibited. Transfer or resale to nuclear, missile, chemical or biological weapons end users or end uses is prohibited. Resale or reexport to Albania, Armenia, Azerbaijan, Belarus, Bulgaria, Cambodia, Estonia, Georgia, Kazakhstan, Kyrgystan, Laos, Latvia, Lithuania, Moldova, Mongolia, People's Republic of China (excluding Hong Kong), Romania, Russia, Tajikistan, Turkmenistan, Ukraine, Uzbekistan, or Vietnam without approval of the U.S. Government is prohibited. MODUS MEDIA shall subscribe to the publications "Denied Parties; Specification Designated Nationals" and "The Entity List", (the "Lists") from a qualified service such as OCR, RegData or other regulatory provider approved by INTUIT. All Customer Orders should be screened against said List at initiation of order. MODUS MEDIA shall retain documentation, entering the dates of the screenings, the name of the person(s) performing the screenings, and the date of the list used to perform the screening, in an electronic file. This log or file MUST BE MAINTAINED FOR AUDIT PURPOSES for a period of 6 years after which MODUS MEDIA will notify INTUIT before destroying. If a Customer appears on any of the Lists, MODUS MEDIA shall immediately cancel all

pending orders and stop any in-transit shipments to the Customer, to the extent legally possible, and shall promptly notify INTUIT of such Customer.

MODUS MEDIA is responsible for obtaining the required licenses, paying permit fees, duties and customs fee in order to perform its obligations under this contract. INTUIT is responsible for providing MODUS MEDIA with an Export License Requirement Matrix, outlining the commodity Name, ECCN, Schedule B and License Requirement by Country Group for all products and technology, being exported. MODUS MEDIA is responsible for preparing and submitting all required documentation in connection with the invoicing of INTUIT products. If MODUS MEDIA delivers products to any customer in accordance with INTUIT's directions, INTUIT agrees to indemnify MODUS MEDIA for any consequent direct or indirect violation of the application export control laws. MODUS MEDIA will retain for a period of 6 years. Documents and other evidence sufficient to enable INTUIT to support governmental reviews or audits. MODUS MEDIA further agrees to assist INTUIT, upon request, in any appropriate legal or administrative proceedings regarding the validity of such licenses, fees and taxes.

Section 11.3 Work Product

Work product MODUS MEDIA has developed to provide the Services in this Agreement is the exclusive property of MODUS MEDIA. Information contained within the work products which is INTUIT confidential, relates to INTUIT's customer information, and purchases. And INTUIT inventory standard cost, is the exclusive property of INTUIT and will be surrendered to INTUIT upon demand.

Section 11.4 Validity

If any of the provisions of this Agreement are declared to be invalid, such provisions shall be severed from this Agreement and the surviving provisions shall remain in full force and effect.

Section 11.5 Waiver

A waiver of any default hereunder or of any of the terms and conditions of this Agreement shall not be deemed to be a continuing waiver or a waiver of any other default or of any other term or conditions, but shall apply solely to the instance to which such waiver is directed. The exercise of any right or remedy provided in this Agreement shall be without prejudice to the right to exercise any other right or remedy provided by law or equity.

Section 11.6 Assignability

This Agreement shall not be assigned by either party without the prior written consent of the other party, which shall not be unreasonably withheld or delayed; provided that the assignee is of the same or greater creditworthiness as the assignor. Notwithstanding the preceding sentence, INTUIT and MODUS MEDIA may assign their rights and obligations hereunder to any subsidiary or affiliate or in connection with a merger or other business combination in which it is not the surviving entity, except if the assignee is a competitor of the nonassigning party. Any such attempted assignment in violation of this provision shall be null and void.

Section 11.7 Governing Law

THE VALIDITY, PERFORMANCE, CONSTRUCTION, AND INTERPRETATION OF THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF CALIFORNIA, EXCLUDING CONFLICTS OF LAWS PRINCIPLES AND EXCLUDING THE UNITED NATIONS CONVENTION ON CONTRACTS FOR THE INTERNATIONAL SALE OF GOODS.

Section 11.8 Disputed Resolution

The parties will attempt in good faith to promptly resolve any controversy or claim arising out of or relating to this Master Agreement or Statement of Work, except for matters pertaining to Intellectual Property, through negotiations between the parties before resorting to other remedies available to them. Any such dispute shall be referred to appropriate senior executives of each party who shall have the authority to resolve the matter. If the senior executives are unable to resolve the dispute within ten (10) business days from the date the senior executives receive notification of the disputed in writing, the parties may by agreement refer the matter to an appropriate forum of alternative dispute resolution ranging from mediation to arbitration. If the parties cannot resolve them matter or if they cannot agree upon an alternative form of dispute resolution, then either party may pursue resolution of the matter through litigation.

Section 11.9 Force Majeure

Neither party shall be liable to the other party for any alleged loss or damages resulting from delays in performance caused by acts of the other party, acts of civil or military authority, governmental priorities, earthquake, fire, flood, epidemic, quarantine, energy crisis, strike, labor trouble, war, riot, accident, shortage, delay in transportation, service outage of a telephone provider or public utility, or any other causes beyond the reasonable control of the party whose performance is so delayed, except that INTUIT shall at all times be responsible for the prompt payment of all if its financial obligations to MODUS MEDIA. If MODUS MEDIA's performance of Services is delayed by Force Majeure, the time for performance shall be extended for the period of Force Majeure.

Section 11.10 Employee Solicitation Prohibited

Each of the parties hereto recognizes that the experience, dedication, and know-how of their employees represent an important, valuable, unquantifiable asset and a significant training investment. Therefore, for Term of this Master Agreement and for six (6) months after an employee is involved in any work pursuant to or related to this Agreement, neither party may, without the prior written permission of the other party, directly solicit for employment for similar duties as currently performed, any employee of the other party. For the purposes of this Section, "directly solicit" shall be defined as a party and or search firm employed by the party and acting on the party's behalf initiating a discussion with an employee of the other party regarding a job at the soliciting party, and requesting that the employee of the party submit a resume and/or interview for the job. "Directly solicit" shall not be deemed to include public advertising (e.g., in newspapers, trade publications, or solicitation by independent recruiters).

Section 11.11 Authorized Representatives

Each party shall, at all times, designate one representative who shall be authorized to take any and all action and/or grant any approvals required in the course of performance of this Agreement. Such representative shall be fully authorized to act for and bind such party including the approval of

amendments to this Agreement. Until written notice to the contrary, the authorized representatives of the parties are as follows:

For INTUIT:

Dave Kinser
Sr. Vice President
Intuit Inc.
2535 Garcia Avenue
Mountain View, CA 94043
Telephone Number 650-944-6656

Copy to Catherine Valentine, General Counsel

For MODUS MEDIA:

Ron Leitch
President, Americas Region
Modus Media International, Inc.
690 Canton Street
Westwood, MA 02090
Telephone Number 781-407-2000

General Counsel

The authorized representative's manager and manager's manager, and any corporate officer shall also have the power to bind the party. No other employee, agent. Or representative has the authority to bind the party.

Section 11.12 Notices

Any notice regarding non-performance, breach, termination, or renewal required or permitted to be given under this Master Agreement shall be given in writing and shall be hand delivered or deposited, postage prepaid, registered or certified mail, in the United States or other country's mail, or sent by express delivery, addressed to MODUS MEDIA, or INTUIT, as the case may be, at the address shown below or at such other address as shall be given by either one to the other in writing. All other notices may be sent by regular mail or facsimile. All notices shall be deemed to have been given and received on the earlier of actual delivery or three (3) days for the date of postmark.

For INTUIT:

Dave Kinser
Sr. Vice President
Intuit Inc.
2535 Garcia Avenue
Mountain View, CA 94043

Copy to Catherine Valentine, General Counsel

For MODUS MEDIA:

Ron Leitch
President, Americas Region
Modus Media International, Inc.
690 Canton Street
Westwood, MA 02090

General Counsel

Section 11.13 Time is of the essence in this Agreement.

Modus Media and Intuit agree that with respect to any projects under this Agreement, time is of the essence.

Section 11.14 Costs of Litigation

If any legal action, arbitration or other judicial proceeding is brought based on an alleged dispute, breach, default, or misrepresentation regarding this Agreement, the prevailing party or parties shall be entitled to recover reasonable attorney's fees and the other costs incurred in that action or proceeding, including costs relating to the collection of overdue invoices. The prevailing party or parties shall also be entitled to obtain any other relief to which the prevailing party or parties may be entitled.

Section 11.15 Severability

If any provision of this Agreement is held invalid or unenforceable by any court of final jurisdiction, (a) said provision shall be construed in a manner that will eliminate only the part of the provision that is invalid or unenforceable and that will give effect to the intent of the parties as discerned from the remaining provisions of the agreement, (b) the remainder of this Agreement shall remain in full force and effect, and (c) all other provisions of this Agreement be construed to remain fully valid, enforceable, and binding on the parties.

Section 11.16 Entire Agreement

All parties acknowledge having read this Agreement and agree to be bound by its terms. This Master Agreement and the Schedules, Exhibits and Statements of Work attached hereto contain the complete, final and exclusive statement of the terms of the agreement between the parties relating to the subject matter hereof and supersedes all prior understandings, writing, proposals, representations or communications, oral or written, relating to the subject matter hereof. This Agreement may not be modified except in writing executed by both parties. The terms and conditions of the Agreement shall prevail notwithstanding any conflict with the terms and conditions of any Invoices or other form used by MODUS MEDIA, or any purchase order of any other form used by INTUIT.

IN WITNESS WHEREOF, the parties hereto have signed this Agreement as of the effective date set forth in Section 1.1:

INTUIT INC.

By: /s/ DAVID KINSER

Its: Vice President and Chief Information Officer

MODUS MEDIA INTERNATIONAL, INC.

By: /s/ RON LEITCH

Its: President, Americas Region

Exhibit 1
RIGHT TO COPY OBJECT CODE AND DOCUMENTATION LICENSE

1. License Software and Documentation. The software (“License Software”) and related documentation (“Licensed Documentation”) included under this Exhibit 1 are listed on Exhibit 1, attached hereto. INTUIT will provide MODUS MEDIA with a “Golden Master” of the Licensed Software and Licensed Documentation.

2. License Grant. Subject to the terms of this Exhibit 1, INTUIT hereby grants to MODUS MEDIA and MODUS MEDIA hereby accepts a non-exclusive, non-royalty bearing, personal, non-transferable license to reproduce verbatim the License Software and the Licensed Documentation, which may be customized or modified, to be distributed by MODUS MEDIA to Customers upon request by such Customer, in accordance with MODUS MEDIA’s obligations as stated in the Master Agreement. MODUS MEDIA agrees and acknowledges that this license does not grant any rights or title to patents, copyrights, trade secrets, trademarks, or rights of ownership in the Licensed Software or Licensed Documentation, in whatever form.

3. License Fee. No license fee are due and payable by MODUS MEDIA to INTUIT for the license(s) granted pursuant to this Exhibit 1.

4. Copyright Notice. INTUIT’s copyright notice as contained in the Golden Master(s) must be included on each copy made by MODUS MEDIA of the License Software and Documentation, in whatever form.

5. Term. The term of this Exhibit 1 shall be coterminous with that of the Master Agreement, unless terminated earlier by either party by the other party as provided in the Master Agreement. Upon termination or expiration of this Exhibit 1 MODUS MEDIA will destroy all Golden Masters and so certify to INTUIT, and MODUS MEDIA will not make any additional copies.

6. Transferability. MODUS MEDIA may not transfer or assign Golden Master to another party. MODUS MEDIA may not transfer, assign, or sublicense the license granted hereunder to another party.

7. Confidentiality. MODUS MEDIA hereby acknowledges that the structure and organization of the Licensed Software are valuable trade secrets of INTUIT and its intellectual property. MODUS MEDIA agrees to hold such trade secrets and intellectual property in confidence. MODUS MEDIA further acknowledges that INTUIT retains title to the Licensed Software and Licensed Documentation recorded on the original media and all subsequent copies of the Licensed Software regardless of the form or media. Modification, reverse engineering, reverse compiling or disassembly of the License Software are expressly prohibited.

**RIGHT TO COPY OBJECT CODE AND DOCUMENTATION LICENSE
EXHIBIT 1A to MASTER AGREEMENT
between**

INTUIT INC. and MODUS MEDIA INTERNATIONAL, INC.

EXHIBIT 1A

LICENSED SOFTWARE

MODUS MEDIA is authorized to duplicate software copies of, for the purposes of this Agreement only.

LICENSED DOCUMENTATION

MODUS MEDIA is authorized to duplicate all collateral and media for end users or channel partners, for the purpose of this Agreement only.

EXHIBIT 2

Intuit's Privacy Policy for Partners

In addition to the obligations under the Agreement between Intuit and its Partner, Intuit requires that its Partners comply with certain policies in order to safeguard the confidentiality of Personally Identifiable Information relating to Intuit's customers. For this reason, Intuit has adopted the following Privacy Policy for Partners that must be adhered to as a condition of Partners doing business with Intuit.

The Privacy Policies for Partners are intended to apply only to Intuit's business conducted in the United States. All Partner agreements and amendments that become effective on or after April 3, 2000, must incorporate this Privacy Policy for Partners.

Definitions

- Partner – For the purpose of this document only, a “Partner” is any third party that has a contractual agreement to provide marketing, products or services to Intuit or Intuit's customers, and/or has access to Personally Identifiable Information. Except as expressly stated in this Policy, this Policy shall not be interpreted or construed to create an association, agency, joint venture or legal partnership between Intuit and such third parties or to impose any liability attributable to such a relationship upon either party. Neither party shall have any right, power or authority to enter into any agreement for or on behalf of, or incur any obligation or liability of, or to otherwise bind the other party.
- Intuit Customer – Users who view Intuit-owned/controlled Web sites, register at Intuit-owned/controlled Web sites, order or use Intuit products, services or software trials. Pursuant to specific Intuit-Partner agreements, a Partner may have particular rights to use Personally Identifiable Information.
- Personally Identifiable Information – For the purpose of this document, Personally Identifiable Information relates to information about Intuit Customers that, among other things, identifies or can be used to identify, contact, or locate the person to whom such information relates. Personally Identifiable Information includes, but is not limited to name, address, phone number, fax number, email address, social security number and credit card information. To the extent unique information (which by itself is not personally identifiable), such as a personal profile, unique identifier, and IP address is associated with Personally Identifiable Information, then such unique information will also be considered Personally Identifiable Information. Personally Identifiable Information

does not include information that is collected anonymously or demographic information not connected to an identified individual, provided that certain types of such non-identifiable information may still be subject to restrictions on use and disclosure by law, e.g., tax return information.

Partners' General Responsibilities

- Partners must agree to comply with this Privacy Policy for Partners and to clearly communicate and enforce this Policy among their employees, agents and any third parties used to perform any of the Partners' obligations under their Agreement with Intuit or this Policy.
- Partners shall treat Personally Identifiable Information as confidential and proprietary information of Intuit and to protect it from disclosure to any third party (that is not an agent of the Partner contracted to do work pertaining to the Agreement), subject to this Policy, their Agreement with Intuit, and otherwise required by law.
- Partners shall limit their collection and use of Personally Identifiable Information to the expressed business purpose(s) set forth in the relevant Agreement(s) between the Partners and Intuit.
- Partners shall employ appropriate security measures to maintain the integrity and confidentiality of Personally Identifiable Information, and take reasonable precautions to protect it from loss, misuse or accidental or unauthorized access or alteration.
- Partners shall ensure that only authorized employees and agents, who are trained in the proper handling of Personally Identifiable Information and who are subject to obligations to maintain the confidentiality and restricted use of such information, have access to Personally Identifiable Information.
- Partners must transmit Personally Identifiable Information in a secure manner and store it in a secure environment.
- Except where Personally Identifiable Information is "co-owned," or the customer provides Personally Identifiable Information to the Partner without restriction, Partners shall not rent, sell, or otherwise disclose Personally Identifiable Information. In those circumstances where Partners "co-own" Personally Identifiable Information, or the customer provided such information to the partner without restriction, Partners may rent, sell, or otherwise disclose Intuit Personally Identifiable Information only if they provide a method for Intuit Customers to "opt out" of such activity (see ***Opt Out Choice*** below).

- Intuit encourages its Partners to adopt privacy policies and practices (beyond what is covered here in this Policy) at least as protective as those used by Intuit.
- Partners shall comply with applicable law in their use and disclosure of all information provided to them by Intuit, whether or not such information falls within the definition of Personally Identifiable Information.
- Partners who collect Personally Identifiable Information related to Intuit customers shall identify to customers the organization(s) collecting this Information and describe to customers how this Information will be used.

Suppression

- Intuit maintains in-house suppression file(s) that include Personally Identifiable Information relating to those individuals who have indicated the circumstances under which they may not want to be contacted or solicited by Intuit. Partners who work on Intuit's behalf, i.e. outsourcers or vendors, shall comply with Intuit's policies relating to the use of such suppression file(s) to suppress names and addresses in the services they perform and the databases they use, maintain, and/or manage on behalf of Intuit.
- Except where Personally Identifiable Information is "co-owned," Partners shall not use Personally Identifiable Information maintained in Intuit's in-house suppression files.
- Partners who conduct mail solicitation to prospective customers on behalf of Intuit shall utilize the Direct Marketing Association's Mail Preference Service.

Telemarketing

- Partners who conduct telemarketing activities on Intuit's behalf shall comply with all applicable laws and regulations including "Do Not Call" laws.
- Partners who conduct telemarketing activities on Intuit's behalf shall comply with Intuit's Do Not Call Policy (attached).
- Partners who conduct telemarketing activities on behalf of Intuit shall employ the Direct Marketing Association's Telephone Preference Service, as well as any applicable federal and/or local/state-managed preference services when phoning prospective customers.

Fax

- Partners who work on Intuit's behalf to conduct fax activities shall comply with all applicable laws and regulations relating to fax marketing activities.
- Partners who work on Intuit's behalf to conduct fax activities shall not send any unsolicited facsimile to any recipient who does not have a prior business relationship with Intuit, unless the recipient has given Intuit prior express permission to receive such a facsimile.
- Partners who work on Intuit's behalf to conduct fax activities to prospective Intuit customers shall include the date and time of transmission, and the name and telephone number of Intuit, or Partner working on Intuit's behalf, as well as notice of how to opt-out of future facsimile communications.

Email

- Partners who conduct email marketing activities on Intuit's behalf shall not send unsolicited email to any recipient who does not have a preexisting relationship with Intuit or who has not consented to receive such email. Consent from a prospective customer is considered to be given when such a prospect opts in to receiving communications from Intuit or opts in to a program where the prospect chooses to receive communications from companies like Intuit, i.e. companies engaged in financial services. Marketing email sent on Intuit's behalf shall contain notice of how to opt-out of future marketing email communications.

Opt Out Choice

- Intuit customers may choose their contact preferences for the manner in which Intuit will use Personally Identifiable Information. Partners that provide products or services on Intuit's behalf must agree to employ procedures in a timely manner to honor these preferences.
- Partners that provide co-branded Web sites with Intuit, shall give customers of the co-branded Web site the opportunity to choose their preferences for the manner in which the co-branding Partner will use Personally Identifiable Information for marketing and list rental purposes.
- Partners, to whom Intuit refers Intuit Customers, or provides Personally Identifiable Information, shall give customers the opportunity to choose their preferences for the manner in which the Partner will use Personally Identifiable Information for marketing and list rental purposes.

Reviews

- Partners that provide products or services on Intuit's behalf, i.e. outsourcers or vendors, shall reasonably cooperate with Intuit so as to allow Intuit to verify their compliance with Intuit's Privacy Policies for Partners and shall allow Intuit to audit their records and practices to determine compliance with such Policy.

- All Partners must be able to demonstrate compliance with these policies.

Ad Servers

Intuit hires companies that serve ads on Intuit's Web sites; these companies are known as 'ad servers'.

- Intuit shall not disclose Personally Identifiable Information, which Intuit collects, to ad servers.
- Ad servers shall offer an opt-out mechanism to customers, that when used, will prohibit ad servers from associating Personally Identifiable Information with customers' anonymous customer profile.
- Intuit shall have the option of disclosing the ad server by name in its privacy statement(s) along with links to the ad server's privacy statement and opt-out mechanism(s).

When an Intuit Customer Becomes a Partner's Customer

- Intuit's Web sites may include services or information provided by Partners, for example, insurance companies. Intuit is not responsible for any information provided to or transactions entered into by customers with such Partners. In the event Intuit's Web site customers provide information or engage in transactions with such Partner, the terms governing the collection and use of any Personally Identifiable Information provided in connection therewith shall be governed by the terms of such Partner's privacy policies and/or practices, and Intuit shall have no liability therefor.
- Pursuant to an Intuit-Partner agreement, Intuit and the Partner may independently control Personally Identifiable Information. In such cases, the Partner's privacy policies apply to the Partner's practices.

Marketing to Children

Intuit's Web sites are not intended for children (ages 13 and under) nor does Intuit knowingly collect personal data from children. Partners may not market Intuit's site to their customers who may be children, nor link Intuit sites to those intended for children.

Compliance with U.S. Laws and Regulations

Partners shall comply with all applicable federal, state, and local laws and regulations.

Policy Changes

Intuit may, in its sole discretion, amend this policy from time to time, as required by law or otherwise.

EXHIBIT 3

Privacy Technology Guidelines

1. **Disclosure.** Post a prominent privacy policy (linked from your home page) to tell consumers what you collect, how and why, and what their rights are.
2. **Access.** Customers must be able to “login” to a website to see information collected about them. They should be able at any time to change or delete information collected, with the exception that certain transactional information (e.g., a purchase record) is owned by the merchant.
3. **SSL.** Always use https/ssl (vs email or clear http etc) for transmission of any information which is considered private (financial information like credit card numbers, personally identifiable information like email or street address or phone number, etc), to prevent http snooping. (Data centers should tcp-snoop all traffic to grep for passwords.)
4. **Encryption.** Always **oneway** encrypt all passwords—**never** store any unencrypted or two-way hashed passwords on disk. This means that customer support must **never** be able to get someone’s password, but must instead only be allowed to reset it, else (better) let the user reset it themselves, with coded-URL email confirmation.
5. **URL Parameters.** Do not pass user identifiable information as URL parameters, as this causes them to be logged in the http logfiles. (And also sends this information in the clear if you forget to use SSL.) Instead, use hidden form fields or cookies or encrypted session IDs.
6. **Email Login.** Use email address to uniquely identify users vs. making them create yet another unambiguous login id which they will forget and write down (and thus open a security/privacy hole).
7. **Password Email.** Never ever send any passwords (even temporary ones) by email, as they can easily be tcp snooped.
8. **Precedence: Bulk.** All bulk email should have Precedence: Bulk in the header, to allow systems and users to correctly prioritize bulk invasions.
9. **Actual “To” Address.** All bulk email should have the actual recipient address on the To line (this means one email per recipient!) to allow recipient to know which of their many email addresses were used.
10. **Actual “From” Address.** Make sure all of your email is sent with an accurate From address, so consumers can simply hit the Reply key in their mail client to reply to a human. The From address should also include a descriptive “full name”.

11. **List Exposure.** Do not ever list all recipient email addresses in the mail headers, else this will expose recipients to other recipients. (Also, the BCC field should not be used for this.)
12. **One Click Removal.** All bulk email messages should include a personalized/coded removal URL to allow single click removal. The coded URL should not contain the email address itself. Do **not** use systems which require the user to reply-to the bulk email with some special address or Subject convention, as these do not work for people whose known email was forwarded to another of their email addresses.
13. **Opt-in** for mailing lists (promotions, newsletters, etc), with a separate opt-in for the “selected partners” lists. (Need guidelines as to when to use opt-in vs opt-out...)
14. **Victim Signup.** In cases where there is an email signup that might be abused (bad guys signing up victims to random high volume newsletters), consider sending coded-URL opt-in email to confirm the opt-in email address.
15. **RFC822.** Allow fully RFC822 compliant email addresses, including ones like paul+amazon@example.com (the +amazon part is used by many privacy advocates to track down where/how their email addresses are used).
16. **Law Enforcement.** Provide customer information to legal authorities as required, but take steps to verify their **identity** and **authority**, only sending them the minimal set of information which will satisfy their requests.
17. **htaccess** should never be used as the secure web site login mechanism for mass market / consumer applications, as it is a lousy user interface.
18. **Forced Changes.** Do not force consumers (vs. internal corporate/enterprise users) to regularly change their passwords, as this will cause them to forget them, and to write them down somewhere (and thus open a security/privacy hole).
19. **Digital Certificates.** Do not use digital certificates for mass market consumer applications, as they are way too hard to use for this. (They are appropriate for server-to-server authentication, or for corporate/enterprise applications.)

FIRST AMENDMENT TO MASTER AGREEMENT
Between INTUIT INC. and MODUS MEDIA INTERNATIONAL, INC.

THIS FIRST AMENDMENT TO MASTER AGREEMENT ("First Amendment") shall be effective as of August 27, 2001 (herein the "Effective Date") and it is between INTUIT Inc. (herein "INTUIT"), a Delaware corporation located at 2535 Garcia Avenue, Mountain View, CA 94043, and MODUS MEDIA INTERNATIONAL, INC., incorporated in Delaware (herein "MODUS MEDIA" or "MMI"), located at 690 Canton Street, Westwood, MA 02090, and shall run coterminous with the Master Agreement between the parties of the same effective date ("Master Agreement").

Whereas, the parties desire to facilitate Intuit's purchase of goods and services provided by MMI;

Therefore, the parties agree to amend the Master Agreement by adding the following text:

[*]

13. The parties agree that the terms and conditions set forth in this First Amendment do not impact the current pricing negotiated by the parties. In the event that any additional charges are incurred, the parties shall negotiate in good faith to revise the pricing schedule accordingly.

IN WITNESS WHEREOF, the parties hereto have signed this First Amendment as of August 27, 2001.

INTUIT INC.

By: /s/ KEN R. MUDGE

Its: VP, Procurement

MODUS MEDIA INTERNATIONAL, INC.

By: /s/ FRED LASKEY

Its: VP & GM, Americas Operation

* We have requested confidential treatment for certain portions of this document pursuant to an application for confidential treatment sent to the Securities and Exchange Commission (SEC). We omitted such portions from this filing and filed them separately with the SEC.

Exhibit 10.06

**THIRD AMENDMENT TO SECURED BALLOON PAYMENT
BRIDGE LOAN PROMISSORY NOTE**

THIS THIRD AMENDMENT TO SECURED BALLOON PAYMENT BRIDGE LOAN PROMISSORY NOTE (this "Amendment") is made as of the 28th day of September, 2001 by and between INTUIT INC., a Delaware corporation ("Intuit"), and THOMAS A. ALLANSON and MARYE ALLANSON, husband and wife (collectively, "Borrowers").

RECITALS

A. Borrowers have executed and delivered to Intuit that certain Secured Balloon Payment Bridge Loan Promissory Note dated as of October 16, 2000 in the original principal amount of \$1,305,000.00 (as amended, extended, replaced, renewed, restated or otherwise modified from time to time, the "Note"). The Note is secured by that certain Deed of Trust with Assignment of Rents dated as of October 16, 2000 and recorded October 17, 2000 in the Official Records of San Diego County, California, as Instrument Number _____.

B. Borrowers and Intuit have agreed to extend the Maturity Date (as defined in the Note) as provided herein.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Borrowers and Intuit hereby agree as follows:

1. Amendment to Note. The Note is hereby amended by deleting the reference to "September 30, 2001 (the "Maturity Date")" set forth in paragraph 1 of the Note and substituting therefor a reference to "January 31, 2002 (the "Maturity Date")".

2. Confirmation of Principal Balance. The parties acknowledge and agree that as of the date of this Amendment, the outstanding principal balance under the Note is \$1,305,000.00.

3. Ratification of Note. Except as specifically amended hereby, all of the provisions of the Note shall remain unamended and in full force and effect. Borrowers hereby ratify, affirm, acknowledge and agree that the Note, as amended hereby, represents a valid and enforceable obligation of the Borrowers.

4. Governing Law. This Amendment shall be governed by and construed in accordance with the laws of the State of California.

5. Severability. If any term, provision, covenant or condition of this Amendment or any application thereof should be held by a court of competent jurisdiction to be invalid, void or unenforceable, all terms, provisions, covenants and conditions hereof and all applications thereof not held invalid, void or unenforceable shall continue in full force and effect and shall in no way be affected, impaired or invalidated thereby.

6. Successors and Assigns. The provisions of this Amendment shall be binding upon and inure solely to the benefit of Intuit and Borrowers, and their respective heirs, legal representatives, successors and assigns.

7. Counterparts. This Amendment may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute one agreement.

IN WITNESS WHEREOF, Borrowers and Intuit have executed this Amendment as of the date first set forth above.

BORROWERS:

/s/ THOMAS A. ALLANSON

/s/ MARYE ALLANSON

INTUIT:

INTUIT INC.,
a Delaware corporation

By:

Name: /s/ Stephen M. Bennett

Title: Chief Executive Officer and
President