

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 January 31, 2003 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 by a check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). 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 205,703,236 shares of Common Stock, \$0.01 par value, as of January 31, 2003

---

## **TABLE OF CONTENTS**

[CONDENSED CONSOLIDATED BALANCE SHEETS](#)  
[CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS](#)  
[CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS](#)  
[NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS](#)

[ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS](#)

[ITEM 3 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK](#)

[ITEM 4 CONTROLS AND PROCEDURES](#)

### **PART II**

[ITEM 1 LEGAL PROCEEDINGS](#)

[ITEM 2 CHANGES IN SECURITIES AND USE OF PROCEEDS](#)

[ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS](#)

[ITEM 5 OTHER MATTERS](#)

[ITEM 6 EXHIBITS AND REPORTS ON FORM 8-K](#)

[SIGNATURES](#)

[CERTIFICATION](#)

[EXHIBIT INDEX](#)

[EXHIBIT 10.01](#)

[EXHIBIT 10.02](#)

[EXHIBIT 10.04](#)

[EXHIBIT 10.05](#)

[EXHIBIT 10.06](#)

---

[Table of Contents](#)

INTUIT INC.

FORM 10-Q  
INDEX

	<b>Page Number</b>	
<b>PART I</b>	<b>FINANCIAL INFORMATION</b>	
ITEM 1:	Financial Statements	
	Condensed Consolidated Balance Sheets as of July 31, 2002 and January 31, 2003	3
	Condensed Consolidated Statements of Operations for the three and six months ended January 31, 2002 and 2003	4
	Condensed Consolidated Statements of Cash Flows for the six months ended January 31, 2002 and 2003	5
	Notes to Condensed Consolidated Financial Statements	6
ITEM 2:	Management's Discussion and Analysis of Financial Condition and Results of Operations	24
ITEM 3:	Quantitative and Qualitative Disclosures about Market Risk	42
ITEM 4:	Controls and Procedures	43
<b>PART II</b>	<b>OTHER INFORMATION</b>	
ITEM 1:	Legal Proceedings	44
ITEM 2:	Changes in Securities and Use of Proceeds	45
ITEM 4:	Submission of Matters to a Vote of Security Holders	46
ITEM 5:	Other Matters	48
ITEM 6:	Exhibits and Reports on Form 8-K	49
	Signatures	50
	Certifications from Chief Executive Officer and Chief Financial Officer	51

Intuit, the Intuit logo, QuickBooks, Quicken, TurboTax, ProSeries, Lacerte, QuickBase, FundWare and Track-it!, among others, are registered trademarks and/or registered service marks of Intuit Inc., or one of its subsidiaries, in the United States and other countries. Intuit Master Builder, MRI and Intuit Eclipse, among others, are trademarks and/or service marks of Intuit Inc., or one of its subsidiaries, in the United States and other countries. Other parties' marks are the property of their respective owners and should be treated as such.

**INTUIT INC.**  
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands; unaudited)	July 31, 2002	January 31, 2003
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 414,748	\$ 379,915
Short-term investments	815,342	718,437
Marketable securities	16,791	18,548
Customer deposits	300,409	259,958
Accounts receivable, net	51,999	244,437
Deferred income taxes	67,799	61,270
Income taxes receivable	2,187	—
Prepaid expenses and other current assets	49,581	39,520
Amounts due from discontinued operations entities	241,616	5,978
	<hr/>	<hr/>
Total current assets	1,960,472	1,728,063
Property and equipment, net	179,122	195,990
Goodwill, net	428,948	583,907
Purchased intangibles, net	125,474	124,289
Long-term deferred income taxes	176,553	172,835
Loans to executive officers and other employees	21,270	19,968
Other assets	31,854	11,512
Net long-term assets of discontinued operations	4,312	4,066
	<hr/>	<hr/>
Total assets	\$2,928,005	\$2,840,630
	<hr/>	<hr/>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 71,069	\$ 107,189
Accrued compensation and related liabilities	87,426	91,598
Payroll service obligations	300,381	259,958
Deferred revenue	147,120	170,500
Income taxes payable	—	17,169
Short-term note payable	2,277	2,717
Other current liabilities	81,795	176,855
Net current liabilities of discontinued operations	7,688	4,220
	<hr/>	<hr/>
Total current liabilities	697,756	830,206
	<hr/>	<hr/>
Long-term obligations	14,610	12,766
Commitments and contingencies		
Stockholders' equity:		
Preferred stock	—	—
Common stock and additional paid-in capital	1,846,707	1,877,296
Treasury shares, at cost	(126,107)	(393,007)
Deferred compensation	(12,628)	(9,263)
Accumulated other comprehensive income (loss)	(3,675)	3,603
Retained earnings	511,342	519,029
	<hr/>	<hr/>
Total stockholders' equity	2,215,639	1,997,658
	<hr/>	<hr/>
Total liabilities and stockholders' equity	\$2,928,005	\$2,840,630
	<hr/>	<hr/>

See accompanying notes.

**INTUIT INC.**  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

<i>(In thousands, except per share data; unaudited)</i>	Three Months Ended January 31,		Six Months Ended January 31,	
	2002	2003	2002	2003
<b>Net revenue:</b>				
Products	\$413,096	\$465,130	\$524,169	\$607,033
Services	45,029	75,348	76,950	130,952
Other	17,783	17,598	33,107	32,963
<b>Total net revenue</b>	<b>475,908</b>	<b>558,076</b>	<b>634,226</b>	<b>770,948</b>
<b>Costs and expenses:</b>				
<b>Cost of revenue:</b>				
Cost of products	71,636	71,062	102,277	99,774
Cost of services	28,454	39,557	52,658	76,169
Cost of other revenue	6,160	5,164	11,320	9,754
Amortization of purchased software	7,171	3,518	8,877	6,495
Customer service and technical support	50,289	55,591	85,985	95,221
Selling and marketing	74,720	97,796	131,012	172,617
Research and development	51,402	66,080	98,822	130,207
General and administrative	28,761	38,405	54,987	78,021
Charge for purchased research and development	—	1,070	—	8,859
Acquisition-related charges	62,008	9,154	102,999	18,609
Loss on impairment of long-lived asset	—	—	27,000	—
<b>Total costs and expenses</b>	<b>380,601</b>	<b>387,397</b>	<b>675,937</b>	<b>695,726</b>
Income (loss) from continuing operations	95,307	170,679	(41,711)	75,222
Interest and other income	7,635	7,770	17,463	16,556
Gains (losses) on marketable securities and other investments, net	1,632	2,827	(10,622)	3,080
Income (loss) from continuing operations before income taxes	104,574	181,276	(34,870)	94,858
Income tax provision (benefit)	4,678	55,905	(31,460)	29,936
Net income from continuing operations	99,896	125,371	(3,410)	64,922
Discontinued operations, net of income taxes (Note 6):				
Net income from Quicken Loans discontinued operations	16,740	—	26,469	—
Gain on disposal of Quicken Loans discontinued operations	—	—	—	5,556
Net income from Intuit KK discontinued operations	3,232	3,059	4,382	3,267
Net income from discontinued operations	19,972	3,059	30,851	8,823
<b>Net income</b>	<b>\$119,868</b>	<b>\$128,430</b>	<b>\$ 27,441</b>	<b>\$ 73,745</b>
Basic net income per share from continuing operations	\$ 0.47	\$ 0.61	\$ (0.02)	\$ 0.32
Basic net income per share from discontinued operations	0.09	0.01	0.15	0.04
Basic net income per share	\$ 0.56	\$ 0.62	\$ 0.13	\$ 0.36
Shares used in basic per share amounts	212,520	205,682	211,780	206,823
Diluted net income per share from continuing operations	\$ 0.46	\$ 0.59	\$ (0.01)	\$ 0.31
Diluted net income per share from discontinued operations	0.09	0.01	0.14	0.04
Diluted net income per share	\$ 0.55	\$ 0.60	\$ 0.13	\$ 0.35
Shares used in diluted net income per share amounts	219,355	212,455	217,914	213,445

See accompanying notes.

**INTUIT INC.**  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(In thousands; unaudited)</i>	Six Months Ended January 31,	
	2002	2003
<b>Cash flows from operating activities:</b>		
Net income (loss) from continuing operations	\$ (3,410)	\$ 64,922
Adjustments to reconcile net income (loss) from continuing operations to net cash used in operating activities:		
Acquisition-related charges	102,999	18,609
Amortization of purchased software	8,877	6,495
Amortization of deferred compensation	1,379	1,267
Charge for purchased research and development	—	8,859
Depreciation	29,593	36,119
Net (gains) losses from marketable securities and other investments	10,622	(3,080)
Loss on impairment of long-lived asset	27,000	—
Loss on disposal of property and equipment	1,678	2,321
Deferred income tax benefit	200	2,633
Tax benefit from employee stock options	23,697	30,379
<b>Subtotal</b>	<b>202,635</b>	<b>168,524</b>
<b>Changes in operating assets and liabilities:</b>		
Customer deposits	(12,470)	40,451
Accounts receivable	(229,891)	(187,982)
Income taxes receivable	—	2,187
Prepaid expenses and other current assets	3,235	10,745
Accounts payable	30,510	35,557
Accrued compensation and related liabilities	1,255	4,172
Payroll service obligations	12,657	(40,423)
Deferred revenue	21,350	16,686
Income taxes payable	(40,705)	23,096
Other current liabilities	88,497	93,591
<b>Total changes in operating assets and liabilities</b>	<b>(125,562)</b>	<b>(1,920)</b>
<b>Net cash provided by operating activities</b>	<b>77,073</b>	<b>166,604</b>
<b>Cash flows from investing activities:</b>		
Change in other assets	1,616	(2,324)
Purchases of property and equipment	(26,369)	(54,970)
Proceeds from the sale of marketable securities	5,094	16,371
Purchases of short-term investments	(844,471)	(653,284)
Liquidation and maturity of short-term investments	960,169	748,743
Acquisitions of businesses, net of cash acquired	(7,532)	(185,227)
<b>Net cash provided by (used in) investing activities</b>	<b>88,507</b>	<b>(130,691)</b>
<b>Cash flows from financing activities:</b>		
Change in notes payable	(330)	(1,404)
Net proceeds from issuance of common stock	57,612	90,593
Purchase of treasury stock	(74,268)	(423,210)
<b>Net cash used in financing activities</b>	<b>(16,986)</b>	<b>(334,021)</b>
Net cash provided by (used in) discontinued operations	(95,923)	264,539
Effect of foreign currency translation	1,519	(1,264)
Net increase (decrease) in cash and cash equivalents	54,190	(34,833)
Cash and cash equivalents at beginning of period	66,910	414,748
Cash and cash equivalents at end of period	<b>\$ 121,100</b>	<b>\$ 379,915</b>

See accompanying notes.

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

**1. Summary of Significant Accounting Policies**

*Basis of Presentation*

The consolidated financial statements include the financial statements of Intuit and its wholly-owned subsidiaries. We have eliminated all intercompany balances and transactions in consolidation. We have reclassified certain other previously reported amounts to conform to the current presentation. As discussed in Note 6, the Quicken Loans mortgage business, which we sold on July 31, 2002, has been accounted for as discontinued operations in accordance with Accounting Principles Board ("APB") Opinion No. 30. Also as discussed in Note 6, Intuit KK, our Japanese subsidiary, became a long-lived asset held for sale during the second quarter of fiscal 2003 in accordance with Statement of Financial Accounting Standards ("SFAS") No. 144. Accordingly, we have reclassified our financial statements for all periods presented to reflect Quicken Loans and Intuit KK as discontinued operations. Unless noted otherwise, discussions in these notes pertain to our continuing operations.

We have included all normal recurring adjustments and the non-recurring adjustments described in Note 6 that we consider necessary to give a fair presentation of our operating results for the periods presented. Results for the three and six months ended January 31, 2003 do not necessarily indicate the results we expect for the fiscal year ending July 31, 2003 or any other future period. These consolidated financial statements and accompanying notes should be read together with the audited consolidated financial statements for the fiscal year ended July 31, 2002 included in Intuit's Form 10-K, filed with the Securities and Exchange Commission on September 25, 2002. This Form 10-K reflected Quicken Loans as discontinued operations. We expect to file financial statements reclassified to reflect Intuit KK as a discontinued operation on Form 8-K.

*Use of Estimates*

We make estimates and assumptions that affect the amounts reported in the financial statements and the disclosures made in the accompanying notes. For example, we use estimates for reserves for product returns and rebates, and to determine the collectibility of accounts receivable and the value of deferred tax assets. We use estimates to determine the remaining economic lives and carrying values of purchased intangibles, property and equipment and other long-lived assets. We also use assumptions when employing the Black-Scholes valuation model to estimate the fair value of stock options granted for pro forma disclosures. See Note 11. Despite our intention to establish accurate estimates and assumptions, actual results may differ from our estimates.

*Net Revenue*

We derive revenues from the sale of packaged software products and supplies, product support, professional services, outsourced payroll services and multiple element arrangements that may include any combination of these items. We recognize revenue for software products and related services in accordance with Statement of Position ("SOP") 97-2, "Software Revenue Recognition," as modified by SOP 98-9. For other offerings, we follow Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements." We recognize revenue when persuasive evidence of an arrangement exists, we have delivered the product or performed the service, the fee is fixed or determinable and collectibility is probable.

In some situations, we receive advance payments from our customers. We defer revenue associated with these advance payments until we ship the products or perform the services.

In accordance with the Financial Accounting Standards Board's ("FASB's") Emerging Issues Task Force Issue No. 01-9, "Accounting for Consideration Given by a Vendor to a Customer or a Reseller of the Vendor's Product," we generally account for cash consideration (such as sales incentives) that we give to our customers or resellers as a reduction of revenue rather than as an operating expense.

## Table of Contents

### Product Revenue

We recognize revenue from the sale of our packaged software products and supplies when we ship the product (which is when title passes) either to retailers and distributors or directly to end-user customers. We sell some of our QuickBooks and consumer tax products on consignment to a limited number of resellers. We recognize revenue for these consignment transactions only when the end-user sale has occurred.

We reduce product revenue from distributors and retailers for estimated returns that are based on historical returns experience and other factors such as the volume and price mix of products in the retail channel, trends in retailer inventory and economic trends that might impact customer demand for our products. We also reduce product revenue for the estimated redemption of rebates on certain current product sales. Our estimated reserves for distributor and retailer sales incentive rebates are based on distributors' and retailers' actual performance against the terms and conditions of rebate programs, which we typically establish annually. End user rebate reserves are estimated based on the terms and conditions of the specific promotional rebate program, actual sales during the promotion, the amount of redemptions received, historical redemption trends by product and by type of promotional program and the economic value of the rebate.

### Service Revenue

We recognize revenue from outsourced payroll processing and payroll tax filing services as the services are performed, provided we have no other remaining obligations to these customers. We generally require customers to remit payroll and 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 the 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.

We offer several technical support plans. We recognize support revenue over the life of the plan, which is generally one year. We include costs incurred for these support plans in cost of revenue.

Service revenue also includes revenue from training, consulting and implementation services. We recognize revenue as these services are performed, provided we have no other remaining obligations to these customers.

### Other Revenue

Other revenue consists primarily of fees from online advertising agreements. We typically recognize revenue pro rata based on the contractual time period.

### Multiple Element Arrangements

We also enter into certain revenue arrangements for which we are obligated to deliver multiple products and/or services (multiple elements). For these arrangements, which generally include software products, we allocate and defer revenue for the undelivered elements based on their vendor-specific objective evidence ("VSOE") of fair value. VSOE is generally the price charged when that element is sold separately.

In situations where VSOE exists for all elements (delivered and undelivered), we allocate the total revenue to be earned under the arrangement among the various elements, based on their relative fair value. For transactions where VSOE exists only for the undelivered elements, we allocate and defer revenue based on VSOE of fair value of the undelivered elements, and recognize the difference between the total arrangement fee and the amount deferred for the undelivered items as revenue. If VSOE does not exist for undelivered items that are services, then we recognize the entire arrangement fee ratably over the remaining service period. If VSOE does not exist for undelivered elements that are specified products or features, we defer revenue until the earlier of the delivery of all elements or the point at which we determine VSOE for these undelivered elements.

We recognize revenue related to the delivered products or services only if: (1) the above revenue recognition criteria are met; (2) any undelivered products or services are not essential to the functionality of the delivered products and services; (3) payment for the delivered products or services is not contingent upon delivery of the remaining products or services; (4) we have an enforceable claim to receive the amount due in the event that we do not deliver the undelivered products or services; and (5) as discussed above, there is evidence of the fair value for each of the undelivered products or services.



## Table of Contents

### *Shipping and Handling*

We record the amounts we charge our customers for the shipping and handling of our software products as product revenue and we record the related costs as cost of products in our statement of operations.

### *Customer Deposits and Payroll Service Obligations*

Customer deposits represent cash held on behalf of our payroll customers. Payroll service obligations consist primarily of payroll taxes we owe on behalf of our payroll customers.

### *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. In previous fiscal years, including fiscal 2002, we generally amortized goodwill on a straight-line basis over periods ranging from three to five years. However, in accordance with SFAS 142, "Goodwill and Other Intangible Assets," we did not amortize goodwill for acquisitions completed after June 30, 2001, and effective August 1, 2002 we no longer amortize goodwill for acquisitions completed before July 1, 2001. See "Recent Pronouncements" below for more information. We amortize the cost of identified intangible assets on a straight-line basis over periods ranging from one to 10 years.

We regularly perform reviews to determine if the carrying values of our long-lived assets are impaired. We look for facts or circumstances, either internal or external, indicating that we may not recover the carrying value of the asset. We measure impairment loss related to long-lived assets based on the amount by which the carrying amounts of such assets exceed their fair values. Our measurement of fair value is generally based on an analysis of the present value of estimated future discounted cash flows. Our analysis is based on available information and 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.

### *Stock-Based Incentive Program*

We provide equity incentives to our employees (including those we hire as a result of acquisitions) and to our independent Board members through a carefully managed stock incentive program. We maintain four stock option plans and an Employee Stock Purchase Plan for different groups of eligible participants, and we also have outstanding stock options that we assumed in connection with certain acquisitions. We apply the intrinsic value recognition and measurement principles of APB Opinion No. 25, "Accounting for Stock Issued to Employees," in accounting for stock-based incentives. Accordingly, we are not required to record compensation expense when stock options are granted to eligible participants as long as the exercise price is not less than the fair market value of the stock when the option is granted. We are also not required to record compensation expense in connection with the Employee Stock Purchase Plan as long as the purchase price of the stock is not less than 85% of the lower of the fair market value at the beginning of each three-month, six-month or 12-month offering period or at the end of each applicable three-month purchase period. See Note 11 for an illustration of the effect on net income (loss) and net income (loss) per share if we had applied the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," to stock-based incentives.

### *Concentration of Credit Risk and Significant Customers and Suppliers*

We operate 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 significant balance of short-term investments as well as risks related to the collectibility of our trade accounts receivable. Our portfolio of short-term investments consists primarily of investment-grade securities that we diversify by limiting our holdings with any individual issuer in a managed portfolio to a maximum of \$5 million.

## [Table of Contents](#)

We sell a significant portion of our products through third-party retailers and distributors. As a result, we face risks related to the collectibility of our trade accounts receivable. To appropriately manage this risk, we perform ongoing evaluations of customer credit and limit the amount of credit extended as we deem appropriate but generally do not require collateral. We maintain reserves for estimated credit losses and these losses have historically been within our expectations. However, since we cannot necessarily predict future changes in the financial stability of our customers, we cannot guarantee that our reserves will continue to be adequate.

Due to changes in our distribution arrangements during fiscal 2002, we are selling an increasing proportion of our software products directly to a variety of retailers rather than through a few major distributors. No distributor or individual retailer accounted for 10% or more of total net revenue in the second quarter or first six months of fiscal 2002 or 2003, nor did any customer account for 10% or more of accounts receivable at July 31, 2002 or January 31, 2003.

In connection with the sale of our Quicken Loans mortgage business in July 2002, we agreed to continue providing to the purchasing company a line of credit of up to \$375.0 million to fund mortgage loans for a transition period of up to six months. The line was secured by the related mortgage loans and had an outstanding balance of \$245.6 million at July 31, 2002 and \$180.1 million at October 31, 2002. The line was repaid in January 2003. As part of the consideration for the sale of the business, we also held a five-year promissory note in the principal amount of \$23.3 million from the purchasing company. The note was repaid in October 2002. See Note 6.

We rely on three third party vendors to perform substantially all outsourced aspects of manufacturing and distribution for our primary retail desktop software products. We also have a key single-source vendor for our financial supplies business that prints and fulfills orders for all of our checks and most other products for our financial supplies business. While we believe that relying heavily on key vendors improves the efficiency and reliability of our business operations, relying on any one vendor for a significant aspect of our business can have a significant negative impact on our revenue and profitability if that vendor fails to perform at acceptable service levels.

### *Recent Pronouncements*

On June 29, 2001, the FASB issued SFAS 142, "Goodwill and Other Intangible Assets." SFAS 142 supercedes 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 for impairment at least annually or more frequently if 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. We adopted the remaining elements of this new standard in the first quarter of fiscal 2003 and therefore ceased amortizing goodwill for acquisitions made prior to July 1, 2001. However, it is possible that in the future we may incur impairment charges related to the goodwill already recorded and to goodwill arising out of future acquisitions. In addition, we will continue to amortize our purchased intangible assets and to assess those assets for impairment as appropriate.

As of the date of adoption of SFAS 142 on August 1, 2002, we had an unamortized acquired intangible assets balance of \$123.6 million and an unamortized goodwill balance of \$430.8 million. These balances reflect the transfer of \$1.9 million in assembled workforce from intangible assets to goodwill in accordance with SFAS 142. In connection with the transitional goodwill impairment evaluation provisions under SFAS 142, we completed a goodwill impairment review as of August 1, 2002 and found no impairment.

## Table of Contents

A reconciliation of previously reported net income and net income per share to amounts that would have been reported if the non-amortization provisions of SFAS 142 had been in effect from the beginning of fiscal 2002 is as follows:

	Three Months Ended		Six Months Ended	
	January 31, 2002	January 31, 2003	January 31, 2002	January 31, 2003
<i>(In thousands, except per share amounts)</i>				
<b>Net income</b>				
Net income, as reported	\$119,868	\$128,430	\$27,441	\$73,745
Goodwill and assembled workforce amortization, net of income taxes	21,410	—	43,581	—
Pro forma net income	\$141,278	\$128,430	\$71,022	\$73,745
<b>Net income per share</b>				
Basic – as reported	\$ 0.56	\$ 0.62	\$ 0.13	\$ 0.36
Basic – pro forma	0.66	0.62	0.34	0.36
Diluted – as reported	0.55	0.60	0.13	0.35
Diluted – pro forma	0.64	0.60	0.33	0.35

In July 2002, the FASB issued SFAS 146, “Accounting for Costs Associated with Exit and Disposal Activities.” This statement revises the accounting for activities relating to exiting or disposing of businesses or assets under EITF Issue No. 94-3, “Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity.” A formal commitment to a plan to exit an activity or dispose of long-lived assets will no longer be sufficient to record a one-time charge for most exit and disposal costs. Instead, companies will record exit or disposal costs when they are incurred and can be measured at fair value, and will subsequently adjust the recorded liability for changes in estimated cash flows. The provisions of SFAS 146 are effective prospectively for exit or disposal activities initiated after December 31, 2002. Companies may not restate previously issued financial statements for the effect of the provisions of SFAS 146, and liabilities that were recorded under EITF Issue No. 94-3 are not affected. We adopted SFAS 146 effective December 31, 2002 and there was no impact on our financial position, results of operations or cash flows.

On December 31, 2002, the FASB issued SFAS 148, “Accounting for Stock-Based Compensation – Transition and Disclosure.” This statement amends SFAS 123, “Accounting for Stock-Based Compensation,” to provide alternative methods of transition for an entity that voluntarily changes to the fair value based method of accounting and records compensation expense for all stock-based employee compensation. It also amends the disclosure provisions of that statement to require prominent disclosure about the effects on reported net income of an entity’s accounting policy decisions with respect to stock-based employee compensation. Finally, this statement amends APB Opinion No. 28, “Interim Financial Reporting,” to require disclosure about those effects in interim financial statements. The amendment of the transition and annual disclosure requirements of SFAS 123 are effective for fiscal years ending after December 15, 2002. The amendment of the disclosure requirements of APB Opinion No. 28 is effective for financial reports containing condensed consolidated financial statements for interim periods beginning after December 15, 2002. Since we have not elected to change to the fair value based method of accounting and therefore do not record compensation expense for most stock-based employee compensation, the transition provisions of SFAS 148 had no impact on our financial position, results of operations or cash flows. We adopted the disclosure provisions of this statement in the first quarter of fiscal 2003. See Note 11.

In November 2002, the FASB issued Financial Interpretation No. (“FIN”) 45, “Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others.” FIN 45 elaborates on the existing disclosure requirements for most guarantees, including residual value guarantees issued in conjunction with operating lease agreements. It also clarifies that at the time a company issues a guarantee, the company must recognize an initial liability for the fair value of the obligation it assumes under that guarantee and must disclose that information in its interim and annual financial statements. The initial recognition and measurement provisions of this interpretation apply on a prospective basis to guarantees issued or modified after December 31, 2002. The disclosure requirements are effective for financial statements of interim or annual periods

## [Table of Contents](#)

ending after December 15, 2002. We are currently evaluating the potential impact of FIN 45. If FIN 45 is applicable to us, our prospective revenue, cost of revenue and operating expenses could be negatively affected.

In January 2003, the FASB issued FIN 46, "Consolidation of Variable Interest Entities." FIN 46 requires us to consolidate a variable interest entity if we are subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. A variable interest entity is a corporation, partnership, trust or any other legal structure used for business purposes that either does not have equity investors with voting rights or has equity investors that do not provide sufficient financial resources for the entity to support its activities. A variable interest entity often holds financial assets, including loans or receivables, real estate or other property. A variable interest entity may be essentially passive or it may engage in research and development or other activities on behalf of another company. The consolidation requirements of FIN 46 apply immediately to variable interest entities created after January 31, 2003. The consolidation requirements apply to older entities in the first fiscal year or interim period beginning after June 15, 2003. Some of the disclosure requirements apply to all financial statements issued after January 31, 2003, regardless of when the variable interest entity was established. We do not currently have any variable interest entities and, accordingly, we do not expect our adoption of FIN 46 to have a material impact on our financial position, results of operations or cash flows.

## 2. Short-Term Investments

The following schedule summarizes the estimated fair value of our short-term investments as of the dates indicated:

<i>(In thousands)</i>	July 31, 2002	January 31, 2003
Corporate notes	\$ 24,405	\$ 40,277
Municipal bonds	780,914	673,152
U.S. government securities	10,023	5,008
	<u>\$815,342</u>	<u>\$718,437</u>

The following table summarizes the estimated fair value of our available-for-sale debt securities held in short-term investments classified by the stated maturity date of the security:

<i>(In thousands)</i>	July 31, 2002	January 31, 2003
Due within one year	\$230,716	\$160,761
Due within two years	141,942	103,523
Due within three years	—	—
Due after three years	442,684	454,153
	<u>\$815,342</u>	<u>\$718,437</u>

[Table of Contents](#)

**3. Goodwill and Intangible Assets**

Changes in the carrying value of goodwill by reportable segment during the first six months of fiscal 2003 were as follows. Our reportable segments are described in Note 7.

<i>(In thousands)</i>	Balance July 31, 2002	Transfer Assembled Workforce	Goodwill Acquired/ Adjusted	Effect of Exchange Rates	Balance January 31, 2003
Small Business Products and Services	\$159,195	\$1,377	\$150,327	\$ —	\$310,899
Consumer Tax	3,308	—	—	—	3,308
Professional Tax & Accountants' Solutions	90,079	428	—	—	90,507
Vertical Business Management Solutions	171,520	—	(1,725)	—	169,795
Other Businesses	4,846	95	4,044	413	9,398
	<u>\$428,948</u>	<u>\$1,900</u>	<u>\$152,646</u>	<u>\$ 413</u>	<u>\$583,907</u>

Purchased intangible assets consisted of the following at the dates indicated:

<i>(In thousands)</i>	Life in Years	July 31, 2002	January 31, 2003
Customer lists	3-7	\$ 144,379	\$ 145,957
Less accumulated amortization		(75,317)	(89,337)
		<u>69,062</u>	<u>56,620</u>
Purchased technology	1-7	121,763	141,609
Less accumulated amortization		(79,894)	(86,397)
		<u>41,869</u>	<u>55,212</u>
Trade names and logos	1-10	16,555	16,971
Less accumulated amortization		(6,908)	(8,429)
		<u>9,647</u>	<u>8,542</u>
Covenants not to compete	3-5	7,399	9,127
Less accumulated amortization		(4,403)	(5,212)
		<u>2,996</u>	<u>3,915</u>
Assembled workforce	2-5	4,458	—
Less accumulated amortization		(2,558)	—
		<u>1,900</u>	<u>—</u>
Total intangible assets		294,554	313,664
Total accumulated amortization		(169,080)	(189,375)
Total net intangible assets		<u>\$ 125,474</u>	<u>\$ 124,289</u>

The increase in purchased technology in the first six months of fiscal 2003 was due primarily to our acquisition of Blue Ocean Software, Inc. in the first quarter of fiscal 2003. See Note 5.

[Table of Contents](#)

We summarize the following expenses on the acquisition-related charges line of our statement of operations:

	Three Months Ended		Six Months Ended	
	January 31, 2002	January 31, 2003	January 31, 2002	January 31, 2003
<i>(In thousands)</i>				
Amortization of goodwill	\$31,534	\$ —	\$ 64,277	\$ —
Amortization of purchased intangible assets	6,927	8,716	13,632	16,609
Amortization of acquisition-related deferred compensation	1,541	438	3,084	2,000
Impairment charges	22,006	—	22,006	—
<b>Total acquisition-related charges</b>	<b>\$62,008</b>	<b>\$9,154</b>	<b>\$102,999</b>	<b>\$18,609</b>

At January 31, 2003, we expected annual amortization of our purchased intangible assets by fiscal year to be as shown in the following table. Future acquisitions could cause these amounts to increase. In addition, if impairment events occur they could accelerate the timing of charges.

<i>(Dollars in thousands)</i> Fiscal year ending July 31,	Expected Amortization Expense
2003	\$ 45,104
2004	30,632
2005	23,233
2006	18,644
2007	13,658
Thereafter	15,522
<b>Total expected future amortization expense</b>	<b>\$146,793</b>

#### 4. Comprehensive Net Income (Loss)

SFAS 130, "Reporting Comprehensive Income," establishes standards for reporting and displaying comprehensive net income (loss) and its components in stockholders' equity. SFAS 130 requires the components of other comprehensive income (loss), such as changes in the fair value of available-for-sale securities and foreign translation adjustments, to be added to our net income (loss) to arrive at comprehensive net income (loss). Other comprehensive income (loss) items have no impact on our net income (loss) as presented in our statement of operations.

## Table of Contents

The components of accumulated other comprehensive income (loss), net of income taxes, were as follows:

<i>(In thousands)</i>	Marketable Securities	Short-term Investments	Foreign Currency Translation	Total
<b>Six months ended January 31, 2002</b>				
Beginning balance, net of income taxes	\$ 23,958	\$ 4,686	\$ (464)	\$ 28,180
Unrealized loss, net of income tax benefits of \$14,588 and \$915	(21,882)	(1,372)	—	(23,254)
Reclassification adjustment for realized gain included in net income, net of income tax benefit of \$510	(766)	—	—	(766)
Translation adjustment	—	—	1,317	1,317
Other comprehensive income (loss)	(22,648)	(1,372)	1,317	(22,703)
Ending balance, net of income taxes	\$ 1,310	\$ 3,314	\$ 853	\$ 5,477
<b>Six months ended January 31, 2003</b>				
Beginning balance, net of income taxes	\$ (4,845)	\$ 2,058	\$ (888)	\$ (3,675)
Unrealized gain, net of income tax provision of \$7,285	10,927	—	—	10,927
Unrealized loss, net of income tax benefit of \$578	—	(867)	—	(867)
Reclassification adjustment for realized gain included in net income, net of income tax benefit of \$1,549	(2,323)	—	—	(2,323)
Translation adjustment	—	—	(459)	(459)
Other comprehensive income (loss)	8,604	(867)	(459)	7,278
Ending balance, net of income taxes	\$ 3,759	\$ 1,191	\$ (1,347)	\$ 3,603

The following table summarizes comprehensive net income (loss) for the periods indicated:

<i>(In thousands)</i>	Three Months Ended		Six Months Ended	
	January 31, 2002	January 31, 2003	January 31, 2002	January 31, 2003
Net income	\$119,868	\$128,430	\$ 27,441	\$73,745
Other comprehensive income (loss), net of income taxes	3,641	2,227	(22,703)	7,278
Comprehensive net income, net of income taxes	\$123,509	\$130,657	\$ 4,738	\$81,023

## 5. Acquisition

On September 13, 2002, we acquired all of the outstanding stock of Blue Ocean Software, Inc. for approximately \$177.3 million in cash. We paid \$16.5 million of the purchase price into a third party escrow account, to be held for a maximum of 18 months pending the finalization of certain financial calculations that may affect the purchase price. To date, there have been no material adjustments to the purchase price.

Blue Ocean offers software solutions that help businesses manage their information technology resources and assets. We acquired this company as part of our Right for My Business strategy to offer business solutions that go beyond accounting software to address a wider range of management challenges that small businesses face. Blue Ocean became part of our Small Business Products and Services business segment.

With the assistance of a professional valuation services firm, we made a preliminary allocation of the purchase price during the first quarter of fiscal 2003. There have been no material adjustments to the purchase price allocation. We

## [Table of Contents](#)

allocated approximately \$13.2 million of the purchase price to purchased technology and \$150.5 million to goodwill. In addition, \$7.8 million was allocated to in-process research and development and charged to expense in the first quarter of fiscal 2003. The purchased technology is being amortized over six years. None of the goodwill acquired in this transaction will be deductible for income tax purposes. Blue Ocean's results of operations from September 14, 2002 forward have been included in our results of operations and were not material. Blue Ocean's results of operations for periods prior to the date of acquisition were also not material when compared to our consolidated results.

The preliminary purchase price allocation for the Blue Ocean acquisition was as follows:

<i>(In thousands)</i>	<b>Purchase Price Allocation</b>
Tangible assets	\$ 19,738
Deferred revenue	(6,694)
Other tangible liabilities	(7,013)
In-process research and development	7,789
Purchased technology	13,220
Goodwill	150,548
Acquisition costs	(271)
Total purchase price	<u>\$177,317</u>

## **6. Discontinued Operations**

### *Quicken Loans*

On July 31, 2002, we sold our Quicken Loans mortgage business and accounted for the sale as discontinued operations. In accordance with APB Opinion No. 30, the operating results of Quicken Loans have been segregated from continuing operations in our statement of operations for all periods prior to the sale.

As part of the sale transaction, we received a five-year secured promissory note in the principal amount of \$23.3 million from the buyer, a newly-created company called Rock Acquisition Corporation. We also retained a 12.5% non-voting equity interest in that company. We accounted for this investment on a cost basis since we did not have the ability to exercise significant influence over Rock. We also agreed to continue providing to Quicken Loans a secured line of credit of up to \$375.0 million to fund mortgage loans for a transition period of up to six months. The line was repaid in full in January 2003. Rock also licensed the right to use our Quicken Loans trademark for its residential home loan and home equity loan products and we entered into a distribution agreement with Rock through which it will provide mortgage services on Quicken.com.

In October 2002, we sold our residual minority equity interest in Rock to the majority shareholders of Rock. We also received payment in full of the \$23.3 million promissory note and related accrued interest due from Rock. The \$5.6 million gain on disposal of Quicken Loans discontinued operations recorded in the first quarter of fiscal 2003 included a gain of \$6.4 million for the sale of our residual equity interest, a charge of \$0.3 million that was the result of the final audit of the tangible shareholders' equity balance of Quicken Loans, and \$0.5 million in legal and other expenses. We did not record a tax benefit related to the transaction because we cannot be assured that we will realize the tax benefit. The trademark license and distribution agreements that we entered into when we sold Quicken Loans remain in effect and fees under these agreements are being recorded in other income. For the second quarter and first half of fiscal 2003, we recorded \$0.9 million under the trademark licensing agreement and \$0.4 million under the distribution agreement. Fees due under these agreements are included in amounts due from discontinued operations entities on our balance sheet.



[Table of Contents](#)

*Intuit KK*

On December 23, 2002, we signed a definitive agreement to sell our wholly-owned Japanese subsidiary, Intuit KK, to Advantage Partners, Inc., a private equity investment firm located in Japan. Under the terms of the agreement, Advantage Partners agreed to purchase 100 percent of the outstanding Intuit KK stock for 9.5 billion yen or approximately \$79 million as of February 7, 2003, the date the transaction was completed. See Note 14.

In accordance with the provisions of SFAS 144, "Accounting for the Impairment or Disposal of Long-lived Assets," we determined that Intuit KK became a long-lived asset held for sale during the second quarter of fiscal 2003 because management put a plan in place to sell this asset which met the conditions specified in the pronouncement. SFAS 144 provides that a long-lived asset classified as held for sale should be measured at the lower of its carrying amount or fair value less cost to sell. Since the carrying value of Intuit KK at January 31, 2003 was significantly lower than the fair value, no adjustment to the carrying value of this long-lived asset was necessary during the second quarter of fiscal 2003. Also in accordance with the provisions of SFAS 144, we determined that Intuit KK became a discontinued operation during the second quarter of fiscal 2003. The net assets, operating results and cash flows of Intuit KK have therefore been segregated from continuing operations in our balance sheets, statements of operations and statements of cash flows for all periods presented.

In December 2002, in order to minimize the impact of foreign currency exchange rates on the sale proceeds during the period between the announcement of the sale of Intuit KK and the closing of the transaction, we entered into a foreign currency hedge contract to sell 9.5 billion Japanese yen in February 2003. We will reflect the actual loss of \$0.2 million for the fluctuation in the fair value of this contract that occurred during the second quarter of fiscal 2003 in the net gain on the sale of Intuit KK that will be recorded in the third quarter of fiscal 2003.

*Discontinued Operations Net Revenue and Income Taxes*

Net revenue and income taxes netted against income from discontinued operations for the periods presented were as follows:

<i>(In thousands)</i>	Three Months Ended		Six Months Ended	
	January 31, 2002	January 31, 2003	January 31, 2002	January 31, 2003
<b>Net revenue</b>				
Quicken Loans	\$56,493	\$ —	\$ 96,532	\$ —
Intuit KK	14,844	16,231	25,253	26,641
Total net revenue from discontinued operations	\$71,337	\$16,231	\$121,785	\$26,641
<b>Income from discontinued operations before income taxes</b>				
Quicken Loans	\$26,158	\$ —	\$ 41,360	\$ —
Intuit KK	2,881	5,274	3,906	5,633
Total discontinued operations before income taxes	\$29,039	\$ 5,274	\$ 45,266	\$ 5,633
<b>Income taxes netted against income from discontinued operations</b>				
Quicken Loans	\$ 9,418	\$ —	\$ 14,891	\$ —
Intuit KK	(351)	2,215	(476)	2,366
Total discontinued operations income taxes	\$ 9,067	\$ 2,215	\$ 14,415	\$ 2,366
<b>Net income from discontinued operations</b>				
Quicken Loans	\$16,740	\$ —	\$ 26,469	\$ —
Intuit KK	3,232	3,059	4,382	3,267
Total net income from discontinued operations	\$19,972	\$ 3,059	\$ 30,851	\$ 3,267

## 7. Industry Segment and Geographic Information

We have defined six reportable segments, described below, based on factors such as how we manage our operations and how our chief operating decision maker views results. In the second quarter of fiscal 2003, we revised our fiscal 2002 reportable segments to reflect the way we currently manage and view our businesses. We determined that the QuickBooks product component of our fiscal 2002 Small Business segment was a separate reportable segment and we combined our fiscal 2002 Employer Services segment with the balance of Small Business to arrive at the fiscal 2003 segment called Small Business Products and Services. We began reporting Vertical Business Management Solutions (formerly Small Business Verticals) as a separate segment in fiscal 2003. Finally, we combined our fiscal 2002 Personal Finance and Global Business segments to arrive at the fiscal 2003 segment called Other Businesses. We have reclassified previously reported fiscal 2002 and first quarter fiscal 2003 segment results to conform to the second quarter fiscal 2003 presentation. All reportable segments except Other Businesses operate solely in the United States and sell primarily to customers located there.

QuickBooks product revenue is derived primarily from QuickBooks desktop software products. QuickBooks services revenue is derived from QuickBooks Online Edition.

Small Business Products and Services product revenue is comprised of QuickBooks Do-It-Yourself Payroll, financial supplies and software solutions that help businesses manage their information technology resources and assets. Services revenue for this segment is derived primarily from outsourced payroll services and QuickBooks support plans. Other revenue for this segment consists of royalties from small business online transactions such as QuickBooks Merchant Account Service and QuickBooks Online Billing.

Consumer Tax product revenue is derived primarily from TurboTax federal and state consumer desktop tax preparation products. Consumer Tax services revenue is derived primarily from TurboTax for the Web online tax preparation services and consumer electronic filing services.

Professional Tax and Accountants' Solutions product revenue is derived primarily from ProSeries and Lacerte professional tax preparation software products. Professional Tax and Accountants' Solutions services revenue is derived primarily from electronic filing and training services.

Vertical Business Management Solutions ("VBMS") revenue is derived from four businesses that we acquired in fiscal 2002 that provide small business management solutions for vertical industries. Those businesses are Intuit Distribution Management Solutions, Intuit MRI Real Estate Solutions, Intuit Construction Business Solutions and Intuit Public Sector Solutions. VBMS product revenue is derived from business management software that is specific to the industries these businesses serve. VBMS services revenue consists primarily of technical support, installation, consulting and training services.

Other Businesses consist primarily of personal finance and Canada. Personal finance product revenue is derived primarily from Quicken desktop software products. Personal finance services revenue is minimal while other revenue consists of fees from consumer online transactions and Quicken.com advertising revenue. In Canada, product revenue is derived primarily from localized versions of QuickBooks and Quicken as well as QuickTax desktop software products. Services revenue in Canada consists primarily of revenue from software maintenance contracts sold with QuickBooks.

Corporate includes costs such as corporate general and administrative expenses that are not allocated to specific segments. Corporate also includes reconciling items such as acquisition-related costs (which include acquisition-related charges, amortization of purchased software and charges for purchased research and development), realized net gains or losses on marketable securities and interest and other income.

The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies in Note 1. Except for goodwill and purchased intangible assets, Intuit does not generally track assets by reportable segment and, consequently, does not disclose assets by reportable segment. The following results for the second quarter and first six months of fiscal 2002 and 2003 are broken out by our reportable segments.

[Table of Contents](#)

Three months ended January 31, 2002 <i>(In thousands)</i>	QuickBooks	Small Business Products & Services	Consumer Tax	Professional Tax & Accountants' Solutions	Vertical Business Mgmt Solutions	Other Businesses	Corporate	Consolidated
Product revenue	\$84,084	\$55,008	\$78,477	\$137,099	\$ 1,950	\$56,478	\$ —	\$413,096
Service revenue	53	34,573	6,359	2,138	747	1,159	—	45,029
Other revenue	—	935	1,274	—	—	15,574	—	17,783
Total net revenue	84,137	90,516	86,110	139,237	2,697	73,211	—	475,908
Segment operating income (loss)	48,189	25,745	20,909	105,254	(1,134)	25,717	—	224,680
Common expenses	—	—	—	—	—	—	(60,194)	(60,194)
Subtotal	48,189	25,745	20,909	105,254	(1,134)	25,717	(60,194)	164,486
Acquisition-related costs	—	—	—	—	—	—	(69,179)	(69,179)
Loss on impairment of long-lived asset	—	—	—	—	—	—	—	—
Realized net gain on marketable securities	—	—	—	—	—	—	1,632	1,632
Interest and other income	—	—	—	—	—	—	7,635	7,635
Income (loss) from continuing operations before income taxes	\$48,189	\$25,745	\$20,909	\$105,254	\$(1,134)	\$25,717	\$(120,106)	\$104,574
<hr/>								
Three months ended January 31, 2003 <i>(In thousands)</i>	QuickBooks	Small Business Products & Services	Consumer Tax	Professional Tax & Accountants' Solutions	Vertical Business Mgmt Solutions	Other Businesses	Corporate	Consolidated
Product revenue	\$93,154	\$ 68,727	\$86,146	\$146,385	\$10,017	\$60,701	\$ —	\$465,130
Service revenue	342	47,220	8,204	4,783	13,946	853	—	75,348
Other revenue	—	4,704	909	—	58	11,927	—	17,598
Total net revenue	93,496	120,651	95,259	151,168	24,021	73,481	—	558,076
Segment operating income (loss)	51,423	32,983	30,222	118,746	(3,465)	32,405	—	262,314
Common expenses	—	—	—	—	—	—	(77,893)	(77,893)
Subtotal	51,423	32,983	30,222	118,746	(3,465)	32,405	(77,893)	184,421
Acquisition-related costs	—	—	—	—	—	—	(13,742)	(13,742)
Realized net gain on marketable securities	—	—	—	—	—	—	2,827	2,827
Interest and other income	—	—	—	—	—	—	7,770	7,770
Income (loss) from continuing operations before income taxes	\$51,423	\$ 32,983	\$30,222	\$118,746	\$(3,465)	\$32,405	\$(81,038)	\$181,276

[Table of Contents](#)

Six months ended January 31, 2002 <i>(In thousands)</i>	QuickBooks	Small Business Products & Services	Consumer Tax	Professional Tax & Accountants' Solutions	Vertical Business Mgmt Solutions	Other Businesses	Corporate	Consolidated
Product revenue	\$108,610	\$103,683	\$81,014	\$142,705	\$ 1,950	\$ 86,207	\$ —	\$ 524,169
Service revenue	80	60,910	7,830	3,250	747	4,133	—	76,950
Other revenue	—	4,150	1,478	—	—	27,479	—	33,107
Total net revenue	108,690	168,743	90,322	145,955	2,697	117,819	—	634,226
Segment operating income (loss)	48,503	44,547	3,657	87,380	(1,134)	29,958	—	212,911
Common expenses	—	—	—	—	—	—	(115,746)	(115,746)
Subtotal	48,503	44,547	3,657	87,380	(1,134)	29,958	(115,746)	97,165
Acquisition-related costs	—	—	—	—	—	—	(111,876)	(111,876)
Loss on impairment of long-lived asset	—	—	—	—	—	—	(27,000)	(27,000)
Realized net loss on marketable securities	—	—	—	—	—	—	(10,622)	(10,622)
Interest and other income	—	—	—	—	—	—	17,463	17,463
Income (loss) from continuing operations before income taxes	\$ 48,503	\$ 44,547	\$ 3,657	\$ 87,380	\$ (1,134)	\$ 29,958	\$ (247,781)	\$ (34,870)

Six months ended January 31, 2003 <i>(In thousands)</i>	QuickBooks	Small Business Products & Services	Consumer Tax	Professional Tax & Accountants' Solutions	Vertical Business Mgmt Solutions	Other Businesses	Corporate	Consolidated
Product revenue	\$130,992	\$127,115	\$ 90,001	\$152,735	\$ 15,647	\$ 90,543	\$ —	\$ 607,033
Service revenue	557	85,314	10,209	5,697	27,114	2,061	—	130,952
Other revenue	—	8,994	1,104	—	63	22,802	—	32,963
Total net revenue	131,549	221,423	101,314	158,432	42,824	115,406	—	770,948
Segment operating income (loss)	58,638	60,676	15,152	101,840	(10,677)	37,591	—	263,220
Common expenses	—	—	—	—	—	—	(154,035)	(154,035)
Subtotal	58,638	60,676	15,152	101,840	(10,677)	37,591	(154,035)	109,185
Acquisition-related costs	—	—	—	—	—	—	(33,963)	(33,963)
Realized net gain on marketable securities	—	—	—	—	—	—	3,080	3,080
Interest and other income	—	—	—	—	—	—	16,556	16,556
Income (loss) from continuing operations before income taxes	\$ 58,638	\$ 60,676	\$ 15,152	\$101,840	\$ (10,677)	\$ 37,591	\$ (168,362)	\$ 94,858

## [Table of Contents](#)

### 8. Commitments

#### *Reserve for Vacant Facilities*

During the third quarter of fiscal 2002, we concluded that we would not occupy two vacant leased buildings in Mountain View, California and that we would be unable to recover a substantial portion of our lease obligations by subleasing the vacant space. The resulting \$13.2 million charge was equal to the remaining future lease commitments for these facilities, net of estimated future sublease income. The estimated costs of abandoning these leased facilities reflected management's best estimates based on market information and trend analyses compiled by our facilities management team with the help of a commercial real estate brokerage firm retained by Intuit. We evaluate our assumptions quarterly for any potentially significant change to the reserve. No material change has been necessary to date. Our actual future cash payments may exceed the total reserve balance at January 31, 2003 by a maximum of \$3.7 million if we are unable to sublease either of the properties.

During the second quarter and first six months of fiscal 2003, we made cash lease payments for these two buildings of \$0.6 million and \$1.2 million and there was a balance of \$11.3 million in the reserve at January 31, 2003. The short-term portion of the reserve (\$2.1 million) is in other current liabilities and the remaining long-term portion is in long-term obligations on our balance sheet. We expect to use the total reserve by the end of fiscal 2010.

### 9. Other Current Liabilities

Other current liabilities were as follows at the dates indicated:

<i>(In thousands)</i>	July 31, 2002	January 31, 2003
Reserve for product returns	\$32,095	\$ 69,924
Reserve for rebates	8,169	55,463
Future cash payments due for CBS Payroll acquisition	25,359	24,434
Other acquisition and disposition related items	4,667	1,627
Other accruals	11,505	25,407
	<u>\$81,795</u>	<u>\$176,855</u>

### 10. Income Taxes

We compute our provision for or benefit from income taxes by applying the estimated annual effective tax rate to income or loss from recurring operations and other taxable items. We recorded income tax provisions on pre-tax income in the second quarters of fiscal 2002 and 2003 and in the first six months of fiscal 2003. We recorded an income tax benefit on a pre-tax loss in the first six months of fiscal 2002.

The effective tax rates for the second quarter and first six months of fiscal 2003 were approximately 31% and 32%, respectively. The effective tax rates for the second quarter and first six months of fiscal 2002 were approximately 4% and 90%, respectively. The fiscal 2002 effective tax rates reflected a one-time benefit in the second quarter of \$34.4 million related to our sale of Venture Finance Software Corporation and costs from impairment charges in the first and second quarters of \$9.0 million and \$5.4 million, respectively. Excluding these benefits and charges, the effective tax rates for the second quarter and first six months of fiscal 2002 would have been approximately 32% and 33%.

### 11. Stockholders' Equity

#### *Stock Repurchase Program*

In May 2001, Intuit's Board of Directors authorized the company to repurchase up to \$500.0 million of common stock from time to time over a three-year period. In July 2002, our Board of Directors increased the authorized purchase amount by \$250.0 million to a total of \$750.0 million. Shares of stock repurchased under the program became treasury shares. From inception of the program through December 4, 2002, we repurchased a total of 16,602,583 shares of our common stock for an aggregate cost of approximately \$750.0 million. The stock

## [Table of Contents](#)

repurchase program was concluded in December 2002 when the authorized purchase amount under the program was reached.

The effect of repurchases through the conclusion of the program in December 2002 increased our basic and diluted net income per share by less than \$0.01 per share in the second quarters of fiscal 2002 and 2003 and in the first half of fiscal 2002. Repurchases increased our basic and diluted net income per share by \$0.01 per share in the first six months of fiscal 2003.

### *Distribution and Dilutive Effect of Options*

We provide equity incentives to our employees (including those we hire as a result of acquisitions) and to our independent Board members through a carefully managed, broad-based stock incentive program. The following table shows option grants to “Named Executives” and to all employees for the periods indicated. Named Executives are defined as the company’s chief executive officer and each of the four other most highly compensated executive officers during fiscal 2002.

	Six Months	Twelve Months Ended	
	Ended January 31, 2003	July 31, 2002	July 31, 2001
Net option grants during the period as a percentage of outstanding shares	1.3%	3.2%	4.7%
Grants to Named Executives during the period as a percentage of total options granted	10.3%	3.5%	7.3%
Grants to Named Executives during the period as a percentage of outstanding shares	0.2%	0.2%	0.4%
Options held by Named Executives as a percentage of total options outstanding	10.3%	10.5%	9.0%

We define net option grants as options granted less options canceled or expired and returned to the pool of options available for grant. Options granted to our Named Executives as a percentage of the total options granted to all employees will vary significantly from quarter to quarter, due in part to the timing of annual performance-based grants to Named Executives. For example, Named Executive grants as a percentage of total grants during the first six months of fiscal 2003 were higher than we expect for fiscal 2003 as a whole due in part to performance grants to Named Executives during the first quarter of fiscal 2003.

### *Stock-Based Incentive Program*

We follow APB Opinion No. 25, “Accounting for Stock Issued to Employees,” in accounting for these stock-based incentives. See Note 1. In October 1995 the FASB issued SFAS 123, “Accounting for Stock Based Compensation,” and in December 2002 the FASB issued SFAS 148, “Accounting for Stock-Based Compensation – Transition and Disclosure.” Although these pronouncements allow us to continue to follow the APB 25 guidelines and not record compensation expense for most stock-based compensation, we are required to disclose our pro forma net income (loss) and net income (loss) per share as if we had adopted SFAS 123 and SFAS 148. The pro forma impact of applying SFAS 123 and SFAS 148 in the second quarter and first six months of fiscal 2002 and 2003 does not necessarily represent the pro forma impact in future quarters or years.

To determine the pro forma impact, we have employed the widely-used Black-Scholes model to estimate the fair value of options granted. This valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. This model also requires the input of highly subjective assumptions including the expected stock price volatility. Because our outstanding stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect this estimate, we believe the Black-Scholes model does not provide a reliable single measure of the fair value of our stock options. Inputs used for the valuation model are set forth in the tables below.

[Table of Contents](#)

	Options			
	Three Months Ended		Six Months Ended	
	January 31, 2002	January 31, 2003	January 31, 2002	January 31, 2003
Expected life (years)	1.89 - 4.89	1.92 - 4.92	1.89 - 4.89	1.91 - 4.92
Expected volatility factor	0.74	0.77	0.74	0.77 - 0.78
Risk-free interest rate (%)	1.23 - 5.47	1.03 - 4.43	1.23 - 5.47	1.03 - 4.43
Expected dividend yield (%)	—	—	—	—

	Employee Stock Purchase Plan			
	Three Months Ended		Six Months Ended	
	January 31, 2002	January 31, 2003	January 31, 2002	January 31, 2003
Expected life (years)	1.00	1.00	1.00	1.00
Expected volatility factor	0.74	0.78	0.74	0.78
Risk-free interest rate (%)	1.80 - 2.70	1.23	1.80 - 2.70	1.23
Expected dividend yield (%)	—	—	—	—

The following table illustrates the effect on our net income (loss) and net income (loss) per share if we had applied the fair value recognition provisions of SFAS 123 to stock-based incentives using the Black Scholes valuation model. For purposes of this reconciliation, we add back to previously reported net income (loss) all stock-based incentive expense that relates to acquisitions then deduct the pro forma stock-based incentive expense determined under the fair value method for all awards. The pro forma stock-based incentive expense has no impact on our cash flow. In the future, we may elect, or be required, to use a different valuation model, which could result in a significantly different impact on our pro forma net income (loss).

	Three Months Ended		Six Months Ended	
	January 31, 2002	January 31, 2003	January 31, 2002	January 31, 2003
<i>(In thousands, except per share amounts)</i>				
<b>Net income (loss)</b>				
Net income, as reported	\$119,868	\$128,430	\$ 27,441	\$ 73,745
Add: Stock-based incentive expense included in reported net loss, net of income taxes	925	263	1,851	1,200
Deduct: Total stock-based incentive expense determined under fair value method for all awards, net of income taxes	(30,475)	(23,997)	(53,882)	(46,871)
Pro forma net income (loss)	\$ 90,318	\$104,696	\$(24,590)	\$ 28,074
<b>Net income (loss) per share</b>				
Basic - as reported	\$ 0.56	\$ 0.62	\$ 0.13	\$ 0.36
Basic - pro forma	\$ 0.42	\$ 0.51	\$ (0.12)	\$ 0.14
Diluted - as reported	\$ 0.55	\$ 0.60	\$ 0.13	\$ 0.35
Diluted - pro forma	\$ 0.41	\$ 0.49	\$ (0.12)	\$ 0.13

## [Table of Contents](#)

### 12. 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 *Rubin* case was dismissed on November 19, 2001. 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, Central District 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 alleged 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 sought injunctive relief, orders to disgorge profits related to the alleged acts, and statutory and other damages. On January 6, 2003, a settlement between Intuit and the plaintiffs' counsel in all of the remaining cases was preliminarily approved by the federal court with a final approval hearing scheduled for June 2003. The proposed settlement terms are not material to Intuit.

Intuit is subject to certain routine 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.

### 13. Related Parties

Outstanding loans to executive officers and other employees consisted of the following at the dates indicated. Loans to executive officers have generally been made in connection with their relocation and purchase of a new residence near their new place of work. Consistent with the requirements of the Sarbanes-Oxley legislation enacted on July 30, 2002, we did not make or modify any loans to executive officers after July 30, 2002. We do not intend to make or modify any loans to executive officers in the future.

<i>(In thousands)</i>	July 31, 2002	January 31, 2003
Loans to executive officers	\$14,865	\$14,891
Loans to other employees	6,405	5,077
	<u>\$21,270</u>	<u>\$19,968</u>

One employee with previously outstanding loans totaling approximately \$1.2 million became an executive officer during the first six months of fiscal 2003. Loans to executive officers totaling approximately \$1.1 million were also repaid during the first half of fiscal 2003.

### 14. Subsequent Events

On February 7, 2003, we completed the sale of our wholly-owned Japanese subsidiary, Intuit KK, to Advantage Partners, Inc., a private equity investment firm located in Japan. Under the terms of the final sale agreement, Advantage Partners purchased 100 percent of the outstanding Intuit KK stock for 9.5 billion yen or approximately \$79 million as of February 7, 2003. We will record a gain on disposal of discontinued operations in the third quarter of fiscal 2003. See Note 6.

Our Premier payroll offering has been marketed and sold by Wells Fargo Bank to its customers under the bank's brand. On February 12, 2003, we acquired for approximately \$29 million in cash the rights to brand and market the offering to the Wells Fargo customers who currently use Intuit's service.



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

**Caution about Forward-Looking Statements**

Throughout this Report, we make forward-looking statements that are based on our current expectations, estimates and projections about our business and our industry, and that reflect our beliefs and assumptions based on information available to us at the date of this Report. In some cases, you can identify these statements by words such as "may," "might," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential" or "continue," and other similar terms. These forward-looking statements include, among other things, projections of our future financial performance, our anticipated growth, our strategies and trends we anticipate in our businesses and the markets in which we operate and the competitive nature and anticipated growth of those markets.

We caution investors that forward-looking statements are only predictions, based on our current expectations about future events. These forward-looking statements are not guarantees of future performance and are subject to risks, uncertainties and assumptions that are difficult to predict. Our actual results, performance or achievements could differ materially from those expressed or implied by the forward-looking statements. Some of the important factors that could impact our future operating results and could cause our results to differ are discussed in this Item 2 under the caption "Risks That Could Affect Future Results." We encourage you to read that section carefully. You should carefully consider those risks, in addition to the other information in this Report, in our Form 10-K for fiscal 2002 (filed with the SEC on September 25, 2002) and in our other filings with the SEC, before deciding to invest in our stock or to maintain or change your investment. We caution investors not to rely on these forward-looking statements, which reflect management's analysis only as of the date of this Report. We undertake no obligation to revise or update any forward-looking statement for any reason, except as required by law.

**Overview**

*Intuit's Mission.* Intuit's mission is to transform the way people run their businesses and manage their financial lives. Intuit is a leading provider of innovative small business and tax preparation software products and services that are designed for small businesses, consumers and accounting professionals. Our products and services fall into five principal categories: our QuickBooks line of small business accounting and business management solutions; small business products and services that include payroll, financial supplies, technical support and information technology solutions; TurboTax consumer tax products and services; ProSeries and Lacerte professional tax products and services; and our Intuit line of industry-specific vertical business management solutions.

*Expanding Customer Segments and Product and Service Offerings.* During the last year, we have expanded both the customer segments that we serve, as well as the products and services that we offer our target customers. Historically, we targeted individuals and small businesses with less than 20 employees. We continue to serve those segments with products and services such as QuickBooks, TurboTax and Quicken. In addition, we are now targeting small businesses with up to 250 employees. We are addressing this new customer segment with a number of new products and services under our Right for My Business strategy. We are introducing industry-specific solutions to meet the specialized requirements of small businesses in selected vertical industries by developing industry-specific versions of QuickBooks, and acquiring companies that offer business management solutions to small businesses in selected vertical businesses. In addition, we introduced new versions of QuickBooks for companies that, due to their larger size or complexity, have more demanding accounting needs. We have also introduced business solutions that go beyond accounting software to address a wider range of business management challenges that small businesses face. We expect to continue to expand in these directions over the next several years.

*Evolving Distribution Channels.* We have been expanding our distribution channels to accommodate the expansion of the customer segments we serve and the range of products and services we offer. In the retail channel, we are selling an increasing proportion of our software products directly to a variety of retailers rather than through a few major distributors. As we offer more complex, higher priced software products than our traditional retail software products, we expect that direct sales will continue to become an increasingly important source of revenue and new customers. The direct channel is also becoming a more important channel for our traditional desktop products, including TurboTax. Finally, as we add products and services that are complimentary to our core products, we are

## [Table of Contents](#)

focusing on strengthening our cross-selling capabilities. This allows us to generate additional revenue from our existing customers, particularly our small business customers.

*Seasonality.* Our tax businesses are highly seasonal. Sales of tax preparation products and services are heavily concentrated in the period from November through April. These seasonal patterns mean that our total net revenue is usually highest during our second and third quarters ending January 31 and April 30. Since fiscal 2000, we have seen an increasing portion of our Consumer Tax annual revenue recognized during the third quarter compared to the second quarter, and we expect that trend to continue during fiscal 2003. We typically report losses in our first and fourth quarters ending October 31 and July 31 when revenue from our tax businesses are minimal, but operating expenses to develop new products and services continue at relatively consistent levels.

*Impact of Acquisitions.* Our recent acquisitions of businesses and assets have affected the comparability of our results. We have completed six acquisitions since the beginning of fiscal 2002, which have affected the comparability of revenue between fiscal 2002 and 2003. The impairment and/or amortization of goodwill and other intangible assets we have acquired in connection with acquisitions has had a significant impact on our operating results, and on the comparability of results from period to period and year over year. During the second quarter and first six months of fiscal 2002, we recorded amortization of goodwill and other intangibles and other acquisition-related charges of \$62.0 million and \$103.0 million, which included a total of \$22.0 million in impairment charges. Starting with the first quarter of fiscal 2003, we no longer amortize goodwill in accordance with Statement of Financial Standards No. 142. As a result, our acquisition-related charges significantly decreased during the second quarter and first half of fiscal 2003, to \$9.2 million and \$18.6 million.

### **Critical Accounting Policies**

In preparing our financial statements, we make estimates, assumptions and judgments that can have a significant impact on our net revenue, operating income and net income, as well as on the value of certain assets and liabilities on our balance sheet. We believe that the estimates, assumptions and judgments involved in the accounting policies described below have the greatest potential impact on our financial statements, so we consider these to be our critical accounting policies. See Note 1 of the financial statements for more information about these critical accounting policies, as well as descriptions of other significant accounting policies.

**Net Revenue – Revenue Recognition.** Intuit derives revenues from the sale of packaged software products, product support, professional services, outsourced payroll services and multiple element arrangements that may include any combination of these items. We follow the appropriate revenue recognition rules for each type of revenue. See Note 1 of the financial statements, “*Net Revenue.*” In general, we recognize revenue when persuasive evidence of an arrangement exists, we have delivered the product or performed the service, the fee is fixed or determinable and collectibility is probable. However, determining whether and when some of these criteria have been satisfied often involves assumptions and judgments that can have a significant impact on the timing and amount of revenue we report. For example, for multiple element arrangements we must make assumptions and judgments in order to allocate the total price among the various elements we must deliver, to determine whether vendor-specific evidence of fair value exists for each element and to determine whether and when each element has been delivered. If we were to change any of these assumptions or judgments, it could cause a material increase or decrease in the amount of revenue that we report in a particular period. Revenue that we cannot recognize in a particular period is reflected on our balance sheet as deferred revenue and recognized over time as the applicable revenue recognition criteria are satisfied. When we acquire a company, we review its revenue recognition policies promptly and bring them into compliance with our revenue recognition policies where necessary.

- **Net Revenue – Return and Rebate Reserves.** As part of our revenue recognition policy, we estimate future product returns and rebate payments and establish reserves against revenue based on these estimates. Product returns by distributors and retailers principally relate to the return of obsolete products. Our return policy allows distributors and retailers, subject to certain contractual limitations, to return purchased products. For product returns reserves, we consider the volume and price mix of products in the retail channel, trends in retailer inventory, economic trends that might impact customer demand for our products (including the competitive environment and the timing of new releases of our products) and other factors. We fully reserve for obsolete products in the distribution channels.

## [Table of Contents](#)

Our rebate reserves include distributor and retailer sales incentive rebates and end-user rebates. Our estimated reserves for distributor and retailer incentive rebates are based on distributors' and retailers' actual performance against the terms and conditions of rebate programs, which are typically entered into annually. Our reserves for end-user rebates are estimated based on the terms and conditions of the specific promotional rebate program, actual sales during the promotion, the amount of redemptions received, historical redemption trends by product and by type of promotional program and the economic value of the rebate.

In the past, actual returns and rebates have not generally exceeded our reserves. However, actual returns and rebates in any future period are inherently uncertain. If we were to change our assumptions and estimates, our revenue reserves would change, which would impact the net revenue we report. If actual returns and rebates are significantly greater than the reserves we have established, the actual results would decrease our future reported revenue. Conversely, if actual returns and rebates are significantly less than our reserves, this would increase our future reported revenue. See Note 1 of the financial statements, "*Net Revenue.*"

- Reserves for Uncollectible Accounts Receivable. We make ongoing assumptions relating to the collectibility of our accounts receivable. The accounts receivable amount on our balance sheet includes a reserve for accounts that might not be paid. In determining the amount of the reserve, we consider our historical level of credit losses. We also make judgments about the creditworthiness of significant customers based on ongoing credit evaluations, and we assess current economic trends that might impact the level of credit losses in the future. Our reserves have generally been adequate to cover our actual credit losses. However, since we cannot reliably predict future changes in the financial stability of our customers, we cannot guarantee that our reserves will continue to be adequate. If actual credit losses are significantly greater than the reserve we have established, that would increase our general and administrative expenses and reduce our reported net income. Conversely, if actual credit losses are significantly less than our reserve, this would eventually decrease our general and administrative expenses and increase our reported net income. See Note 1 of the financial statements, "*Concentration of Credit Risk and Significant Customers and Suppliers,*" for more information about our accounts receivable.
- Goodwill, Purchased Intangibles and Other Long-Lived Assets – Impairment Assessments. We make judgments about the recoverability of goodwill, purchased intangible assets and other long-lived assets whenever events or changes in circumstances indicate that an other-than-temporary impairment in the remaining value of the assets recorded on our balance sheet may exist. We test the impairment of goodwill annually or more frequently if indicators of impairment arise. In order to estimate the fair value of long-lived assets, we make various assumptions about the future prospects for the business that the asset relates to and typically estimate future cash flows to be generated by these businesses. Based on these assumptions and estimates, we determine whether we need to take an impairment charge to reduce the value of the asset stated on our balance sheet to reflect its estimated fair value. Assumptions and estimates about future values and remaining useful lives are complex and often subjective. They can be affected by a variety of factors, including external factors such as industry and economic trends, and internal factors such as changes in our business strategy and our internal forecasts. Although we believe the assumptions and estimates we have made in the past have been reasonable and appropriate, different assumptions and estimates could materially impact our reported financial results. More conservative assumptions of the anticipated future benefits from these businesses would result in greater impairment charges, which would decrease net income and result in lower asset values on our balance sheet. Conversely, less conservative assumptions would result in smaller impairment charges, higher net income and higher asset values. At January 31, 2003, we had \$583.9 million in goodwill and \$124.3 million in intangible assets on our balance sheet. See Note 1, "*Goodwill, Purchased Intangible Assets and Other Long-lived Assets*" and "*Recent Pronouncements,*" and Note 3 of the financial statements for more information about how we make these judgments.
- Income Taxes – Estimates of Effective Tax Rates, Deferred Taxes and Valuation Allowance. When we prepare our consolidated financial statements, we estimate our income taxes based on the various jurisdictions where we conduct business. This requires us to estimate our actual current tax exposure and to assess temporary differences that result from differing treatment of certain items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which we show on our consolidated balance sheet. We must then assess the likelihood that our deferred tax assets will be realized. To the extent we believe that realization is not likely, we establish a valuation allowance. When we establish a valuation allowance or increase this allowance in an accounting period, we must record a tax expense in our statement of operations. See Note 10 of the financial statements.

## Table of Contents

Management must make significant judgments to determine our provision for income taxes, our deferred tax assets and liabilities and any valuation allowance to be recorded against our net deferred tax asset. Our net deferred tax asset as of January 31, 2003 was \$234.1 million, net of the valuation allowance of \$6.8 million. We recorded the valuation allowance to reflect uncertainties about whether we will be able to utilize some of our deferred tax assets (consisting primarily of certain net operating losses carried forward by our international subsidiaries and certain state capital loss carryforwards) before they expire. The valuation allowance is based on our estimates of taxable income for the jurisdictions in which we operate and the period over which our deferred tax assets will be realizable. While we have considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for the valuation allowance, we cannot assure that we will not be required to increase the valuation allowance to take into account additional deferred tax assets that we may be unable to realize. An increase in the valuation allowance would have an adverse impact, which could be material, on our income tax provision and net income in the period in which we make the increase.

## **Results of Operations**

### *Total Net Revenue*

Total net revenue of \$558.1 million and \$770.9 million increased 17% and 22% in the second quarter and first six months of fiscal 2003 compared to the second quarter and first six months of fiscal 2002. The following is a discussion of total net revenue by reportable segment for those periods. In the second quarter of fiscal 2003, we revised our fiscal 2002 reportable segments to reflect the way we currently manage and view our businesses. We determined that the QuickBooks product component of our fiscal 2002 Small Business segment was a separate reportable segment and we combined our fiscal 2002 Employer Services segment with the balance of Small Business to arrive at the fiscal 2003 segment called Small Business Products and Services. We began reporting Vertical Business Management Solutions (formerly Small Business Verticals) as a separate segment in fiscal 2003. Finally, we combined our fiscal 2002 Personal Finance and Global Business segments to arrive at the fiscal 2003 segment called Other Businesses. We have reclassified previously reported fiscal 2002 and first quarter fiscal 2003 segment results to conform to the second quarter fiscal 2003 presentation. See Note 7 of the financial statements for additional information about our reportable segments.

### *QuickBooks*

QuickBooks product revenue is derived primarily from QuickBooks desktop software products. QuickBooks services revenue is derived from QuickBooks Online Edition.

QuickBooks total net revenue of \$93.5 million increased 11% in the second quarter of fiscal 2003 compared to the second quarter of fiscal 2002. The revenue increase reflected 9% higher unit sales, including unit sales of two new products with enhanced functionality that we did not offer during the second quarter of fiscal 2002 – QuickBooks Point of Sale and QuickBooks Enterprise Solutions. These new products were launched at the end of fiscal 2002 as part of our Right for My Business strategy and have significantly higher average selling prices than our traditional line of QuickBooks products. Revenue from our QuickBooks Basic and Pro products increased 9% due primarily to higher average selling prices. Finally, sales of QuickBooks Pro for Mac, which we launched in the second quarter of fiscal 2003, also contributed to revenue growth.

QuickBooks total net revenue of \$131.5 million increased 21% in the first six months of fiscal 2003 compared to the same period of the prior year. The increase was due primarily to 15% higher unit sales and 17% higher average selling prices due to the fiscal 2002 introduction of our higher-priced QuickBooks products. For the full fiscal year, we expect QuickBooks revenue to grow 20 to 30%.

### *Small Business Products and Services*

Small Business Products and Services product revenue is comprised of QuickBooks Do-It-Yourself Payroll, financial supplies and software solutions that help businesses manage their information technology resources and assets. Services revenue for this segment is comprised of outsourced payroll services and QuickBooks support plans. Our outsourced payroll services consist of QuickBooks Assisted Payroll Service, a payroll service that is integrated with QuickBooks and handles the back-end aspects of payroll processing, including tax payments and filings; and Intuit Payroll Services Complete Payroll, which provides traditional, full service payroll processing, tax payment and check delivery services. Intuit Payroll Services Complete Payroll encompasses the business of CBS

## Table of Contents

Employer Services, Inc. (CBS), which we acquired in the fourth quarter of fiscal 2002. Our outsourced payroll business also includes our Premier Payroll Service. Other revenue for this segment consists of royalties from small business online transactions such as QuickBooks Merchant Account Service and QuickBooks Online Billing.

Small Business Products and Services total net revenue of \$120.7 million and \$221.5 million increased 33% and 31% in the second quarter and first six months of fiscal 2003 compared to the same periods of fiscal 2002. Growth in this segment was driven primarily by increases in payroll revenue and the acquisition of Intuit Information Technology Solutions (IITS), formerly Blue Ocean Software, Inc., in the first quarter of fiscal 2003.

Payroll total net revenue increased 33% in the second quarter of fiscal 2003 compared to the second quarter of the prior year. Payroll product revenue increased 22% due to 10% higher unit sales and 11% higher average selling prices driven by price increases. Payroll services revenue increased 44% due almost entirely to our acquisition of CBS. IITS contributed \$11.1 million or 37% of segment revenue growth during the second quarter of fiscal 2003. QuickBooks support revenue grew 26% due to a 24% increase in the number of support plans sold and continued strength in the higher-priced support plans for higher-end QuickBooks products, such as QuickBooks Premier, QuickBooks Point of Sale and QuickBooks Enterprise Solutions, that we introduced during fiscal 2002.

Payroll total net revenue increased 36% in the first six months of fiscal 2003 compared to the same period of the prior year, due primarily to 25% growth in payroll product revenue because of higher unit sales and higher average selling prices and 48% growth in payroll services revenue due almost entirely to our acquisition of CBS. We expect the CBS component of Intuit Payroll Services Complete Payroll to continue to be a significant source of growth for our payroll business during the remainder of fiscal 2003. IITS contributed \$17.1 million or 32% of segment revenue growth during the first six months of fiscal 2003, while QuickBooks support revenue grew 31% on strength in support plans for higher-priced QuickBooks products. We expect IITS and QuickBooks support to continue to be important sources of revenue growth for this segment during the remainder of fiscal 2003.

### *Consumer Tax*

Consumer Tax product revenue is derived primarily from TurboTax federal and state consumer desktop tax preparation products. Consumer Tax services revenue is derived primarily from TurboTax for the Web online tax preparation services and consumer electronic filing services.

Consumer Tax total net revenue of \$95.2 million and \$101.3 million increased 11% and 12% in the second quarter and first six months of fiscal 2003 compared to the same periods of the prior year. TurboTax for the Web revenue increased \$4.9 million or 242% in the second quarter due to 46% unit growth and higher average selling prices for federal tax offerings with advanced functionality. Electronic filing revenue was up 85% in the second quarter of fiscal 2003. Desktop units were down 8% in the second quarter due in part to our increasing use of retail consignment, for which revenue is not recognized until the end user sale is confirmed. The decrease is also due in part to a new direct marketing program called MyCD that we initiated this year. In this campaign, we shipped TurboTax directly to customers early in the season. This has the effect of delaying revenue to the time customers use and pay for the product, rather than when they purchase it at a retail store or from Intuit directly. Due to the seasonal nature of our Consumer Tax business, first quarter fiscal 2002 and fiscal 2003 revenue was nominal.

Since fiscal 2000, we have seen an increasing portion of our Consumer Tax annual revenue growth during the third quarter compared to the second quarter, and we expect that trend to continue during fiscal 2003. This trend results in part from more customers using our Web-based tax offerings, for which revenue peaks later in the tax season. However, retail sales have also shifted to later in the tax season, in part because of our increasing use of consignment in that channel. This year, two additional dynamics are contributing to the shift. First, as noted above, our MyCD marketing campaign is delaying revenue to the third quarter. Second, we incorporated product activation technology in certain TurboTax products this year in an effort to curb multiple unauthorized uses of a single product. If a copy is "passed along" to another user, we would not recognize the additional revenue from the second user until that user activates and pays for the product — which would be later in the season.

We will not have complete results for the entire 2002 tax season until late in the fiscal year. There are ongoing risks and uncertainties associated with our Consumer Tax business, including intense competition that could result in lower average selling prices and/or a decline in our share of desktop software sales, and the uncertain impact of product activation.

## [Table of Contents](#)

### *Professional Tax and Accountants' Solutions*

Professional Tax and Accountants' Solutions ("PTAS") product revenue is derived primarily from ProSeries and Lacerte professional tax preparation software products. PTAS services revenue is derived primarily from electronic filing and training services.

PTAS total net revenue of \$151.2 million and \$158.5 million increased 9% in the second quarter and first six months of fiscal 2003 compared to the same periods of the prior year. The increases are due to price increases related to product enhancements, an increase in cross-sell efforts to the existing tax client base and an increase in the number of customers. Our PTAS business is highly seasonal and we will not have complete results for the entire 2002 tax season until late in the fiscal year.

### *Vertical Business Management Solutions*

Vertical Business Management Solutions ("VBMS") revenue is derived from four businesses that we acquired in fiscal 2002 that provide small business management solutions for vertical industries. Those businesses are Intuit Distribution Management Solutions, Intuit MRI Real Estate Solutions, Intuit Construction Business Solutions, and Intuit Public Sector Solutions. VBMS product revenue is derived from business management software that is specific to the industries these businesses serve. VBMS services revenue consists primarily of technical support, installation, consulting and training services.

These vertical businesses contributed \$24.0 million to second quarter 2003 revenue and \$42.8 million to revenue for the first six months of fiscal 2003. We expect 10% to 30% revenue growth for these businesses in the aggregate during fiscal 2003, over their aggregate revenue for the comparable period before we acquired them.

### *Other Businesses*

Other Businesses consist primarily of personal finance and Canada. Personal finance product revenue is derived primarily from Quicken desktop software products. Personal finance services revenue is minimal while other revenue consists of fees from consumer online transactions and Quicken.com advertising revenue. In Canada, product revenue is derived primarily from localized versions of QuickBooks and Quicken as well as QuickTax desktop software products. Services revenue in Canada consists primarily of revenue from software maintenance contracts sold with QuickBooks.

Other Businesses total net revenue of \$73.5 million and \$115.4 million was essentially flat in the second quarter and first six months of fiscal 2003 compared to the second quarter and first six months of fiscal 2002. Personal finance total net revenue of \$40.0 million and \$77.2 million decreased 13% and 9% while Quicken product revenue declined 6% and 1%, reflecting the continuing overall lack of growth in the personal finance desktop software category. Aggregate average selling prices in the retail channel were 5% higher due to the second quarter fiscal 2002 introduction of Quicken Premier and price increases for the Home and Business product. Lower unit sales more than offset the higher average selling prices. Personal finance other revenue decreased 14% in the second quarter and first six months of fiscal 2003 compared to the same periods of fiscal 2002 due to the continuing industry-wide slowness in spending by purchasers of Internet advertising and our exit from certain online businesses in fiscal 2002. We expect the market for our personal finance offerings to continue to decline during the remainder of fiscal 2003. Total net revenue from Canada of \$31.2 million and \$33.3 million increased 45% and 31% in the second quarter and first half of fiscal 2003 compared to the second quarter and first half of fiscal 2002. The Canadian introduction of Right for Me consumer tax products targeted at investors, those who maintain home offices and taxpayers preparing for retirement increased average selling prices by 24% and unit sales by 20% in the fiscal 2003 periods.

[Table of Contents](#)

*Cost of Revenue*

<i>(Dollars in millions)</i>	Q2 FY02	% of Related Revenue	Q2 FY03	% of Related Revenue	Q2 % Change	YTD FY02	% of Related Revenue	YTD FY03	% of Related Revenue	YTD % Change
Cost of revenue:										
Cost of products	\$ 71.6	17%	\$ 71.1	15%	(1%)	\$102.3	20%	\$ 99.8	16%	(2%)
Cost of services	28.5	63%	39.6	53%	39%	52.7	68%	76.2	58%	45%
Cost of other revenue	6.2	35%	5.2	30%	(16%)	11.3	34%	9.8	30%	(13%)
Amortization of purchased software	7.2	n/a	3.5	n/a	(51%)	8.9	n/a	6.5	n/a	(27%)
<b>Total cost of revenue</b>	<b>\$113.5</b>	<b>24%</b>	<b>\$119.4</b>	<b>21%</b>	<b>5%</b>	<b>\$175.2</b>	<b>28%</b>	<b>\$192.3</b>	<b>25%</b>	<b>10%</b>

There are four components of our cost of revenue: (1) cost of products, which includes the direct cost of manufacturing and shipping our software products; (2) cost of services, which reflects direct costs associated with providing services, including data center costs relating to delivering Internet-based services; (3) cost of other revenue, which includes costs associated with generating advertising and marketing and online transactions revenue; and (4) amortization of purchased software, which represents the cost of depreciating products we obtained through acquisitions over their useful lives.

Cost of products as a percentage of product revenue decreased to 15% and 16% in the second quarter and first half of fiscal 2003 from 17% and 20% in the same periods of fiscal 2002. This was primarily due to strong sales of our new higher-priced QuickBooks products: QuickBooks Premier, QuickBooks Point of Sale and QuickBooks Enterprise. These products have higher prices but essentially the same manufacturing costs as our lower-priced QuickBooks products, resulting in lower cost of revenue per unit. We also continued to improve the packaging design for certain products and streamline some of our manufacturing processes during the second quarter and first half of fiscal 2003. This enabled us to reduce the per-unit materials, manufacturing and shipping costs for our shrink-wrap software products, resulting in cost savings. We expect both of these factors to continue during the remainder of fiscal 2003, resulting in slightly lower cost of products as a percentage of product revenue for the full fiscal year compared to fiscal 2002.

Cost of services as a percentage of services revenue decreased to 53% and 58% in the second quarter and first six months of fiscal 2003 from 63% and 68% in the second quarter and first six months of fiscal 2002. These decreases were primarily attributable to the growth in our outsourced payroll business during the second quarter and first half of fiscal 2003. As this business grows, we are leveraging our historical investments in data center and other infrastructure to reduce the unit cost and improve the profitability of outsourced payroll services. We expect lower cost of services during the remainder of fiscal 2003 due to this factor and because starting in the third quarter of fiscal 2003 we will no longer pay royalties on our Premier payroll business to Wells Fargo Bank. See Note 14 of the financial statements.

Cost of other revenue as a percentage of other revenue decreased to 30% in the second quarter and first half of fiscal 2003 from 35% and 34% in the same periods of fiscal 2002. In the first quarter of fiscal 2002, we moved a large number of servers that supported Quicken.com from an external hosting company to our own data center and streamlined the infrastructure. Over time, this led to decreased cost of other revenue for this business.

Amortization of purchased software for the second quarter and first six months of fiscal 2002 included a \$5.2 million impairment charge for intangible assets related to Quicken.com advertising revenue. Routine amortization charges increased in the second quarter and first six months of fiscal 2003 compared to the same periods of fiscal 2002 as a result of additional amortization for purchased intangible assets relating to the acquisitions we completed in the fourth quarter of fiscal 2002.

[Table of Contents](#)

*Operating Expenses*

<i>(Dollars in millions)</i>	Q2 FY02	% Total Net Revenue	Q2 FY03	% Total Net Revenue	Q2 % Change	YTD FY02	% Total Net Revenue	YTD FY03	% Total Net Revenue	YTD % Change
Customer service and technical support	\$ 50.3	11%	\$ 55.6	10%	11%	\$ 86.0	14%	\$ 95.2	12%	11%
Selling and marketing	74.7	16%	97.8	18%	31%	131.0	21%	172.6	22%	32%
Research and development	51.4	11%	66.1	12%	29%	98.8	16%	130.2	17%	32%
General and administrative	28.8	6%	38.4	7%	33%	55.0	9%	78.0	10%	42%
<b>Subtotal</b>	<b>205.2</b>	<b>43%</b>	<b>257.9</b>	<b>46%</b>	<b>26%</b>	<b>370.8</b>	<b>58%</b>	<b>476.0</b>	<b>62%</b>	<b>28%</b>
Charge for purchased research and development	—	n/a	1.1	0%	n/a	—	n/a	8.9	1%	n/a
Acquisition-related charges	62.0	13%	9.2	2%	(85%)	103.0	16%	18.6	2%	(82%)
Loss on impairment of long-lived asset	—	n/a	—	n/a	n/a	27.00	4%	—	n/a	(100%)
<b>Total operating expenses</b>	<b>\$267.2</b>	<b>56%</b>	<b>\$268.2</b>	<b>48%</b>	<b>0%</b>	<b>\$500.8</b>	<b>79%</b>	<b>\$503.5</b>	<b>65%</b>	<b>1%</b>

*Overview of Operating Expenses*

Total operating expenses were essentially flat in the second quarter and first half of fiscal 2003 compared to the same periods of fiscal 2002. Core operating expenses (which are subtotaled in the table above) increased 26% and 28% in those periods, while acquisition-related charges decreased dramatically. Acquisition-related charges declined because we no longer amortize goodwill and because there were no impairment charges for goodwill or intangible assets during the second quarter and first six months of fiscal 2003.

*Customer Service and Technical Support*

Customer service and technical support expenses were 10% and 12% of total net revenue in the second quarter and first six months of fiscal 2003, compared to 11% and 14% in the same periods of fiscal 2002. We continued to improve our efficiency in fiscal 2003 by increasing the proportion of customer service and technical support we provide through less expensive methods such as Web sites, online chat, email and other electronic means. We benefited from the fiscal 2002 implementation of a number of successful process excellence initiatives that reduced costs while maintaining or increasing service levels. Since support costs are to some extent driven by unit sales, we also began to experience somewhat lower support costs as a percentage of total net revenue due to the addition to the product mix of our newer versions of QuickBooks that have higher average selling prices. However, these benefits were partially offset by increased demand for customer service and technical support due to the increasing complexity of our products and to customer questions relating to product activation technology in TurboTax desktop products. We expect to continue to benefit from lower cost, more scalable electronic customer service and technical support delivery mechanisms and from product mix in the remainder of fiscal 2003.

*Selling and Marketing*

Selling and marketing expenses were 18% and 22% of total net revenue in the second quarter and first half of fiscal 2003, compared to 16% and 21% in the second quarter and first half of fiscal 2002. In fiscal 2003, selling and marketing expenses increased in absolute dollars and as a percentage of total net revenue as we continued to expand our small business marketing programs to support the Right for My Business strategy announced in September 2001. Marketing expenses for our new QuickBooks products with advanced functionality increased approximately \$8 million or 5% of total selling and marketing expenses in the first six months of fiscal 2003 compared to the same period of fiscal 2002. Marketing expenses also increased as we expanded marketing programs to support our Consumer Tax Right for Me strategy introduced this tax season. Finally, we added selling and marketing expenses for our newly acquired vertical business management operations in the first half of fiscal 2003. These increases were partially offset by a decrease in selling and marketing expenses as a percentage of total net revenue for our payroll business due to significant revenue growth in that segment. We expect selling and marketing expenses to increase as a percentage of total net revenue in the remainder of fiscal 2003 as we continue to expand marketing programs for



## [Table of Contents](#)

our new QuickBooks products as well as for the other Right for My Business products and services we recently introduced and those we expect to introduce in the remainder of fiscal 2003.

### *Research and Development*

Research and development expenses were 12% and 17% of total net revenue in the second quarter and first six months of fiscal 2003, compared to 11% and 16% in the same periods of fiscal 2002. Research and development expenses in absolute dollars increased 29% and 32% in the second quarter and first half of fiscal 2003 compared to the second quarter and first half of fiscal 2002. Research and development expenses did not include labor costs capitalized in connection with internal use software projects of \$10.5 million for the first six months of fiscal 2003 and \$4.6 million for the first six months of fiscal 2002. During fiscal 2003, we continued to invest in new products, particularly those that support our small business Right for My Business and Consumer Tax Right for Me strategies. We also added research and development expenses for our newly acquired vertical business management solutions. During the remainder of fiscal 2003, we expect to continue to make significant investments in research and development, particularly for new small business and vertical business management solutions products and services.

### *General and Administrative*

General and administrative expenses were 7% and 10% of total net revenue in the second quarter and first six months of fiscal 2003, compared to 6% and 9% in the same periods of fiscal 2002. General and administrative expenses increased in absolute dollars and as a percentage of total net revenue in the second quarter and first half of fiscal 2003 primarily due to acquisition integration costs, the addition of general and administrative expenses for the companies we acquired in the fourth quarter of fiscal 2002 and higher insurance costs. We expect general and administrative expenses as a percentage of total net revenue to continue to exceed fiscal 2002 levels because of these factors.

### *Acquisition-Related Charges*

In the second quarter and first half of fiscal 2003, acquisition-related charges were \$9.2 million and \$18.6 million, compared to \$62.0 million and \$103.0 million in the same periods of fiscal 2002. For the second quarter and first six months of fiscal 2002, acquisition-related charges included the amortization of goodwill, purchased intangible assets and deferred compensation expenses arising from acquisitions. They also included impairment charges of \$22.0 million. Beginning with the first quarter of fiscal 2003, acquisition-related charges no longer included amortization of goodwill due to our adoption of SFAS 142. See Note 1, "Recent Pronouncements," and Note 3 of the financial statements.

### *Loss on Impairment of Long-lived Asset*

The fiscal 2002 loss on impairment of long-lived asset related to the impairment of the asset we received from the purchaser of our Quicken Bill Manager business in May 2001. We regularly perform reviews to determine if the carrying values of our long-lived assets are impaired. During the first quarter of fiscal 2002, events and circumstances indicated impairment of this asset. Based on our resulting analysis of the asset's fair value, we recorded a charge of \$27.0 million in the first quarter of fiscal 2002 to reduce the carrying value of this asset to its estimated fair value of zero, reflecting the deteriorating financial condition of the purchasing company.

### *Non-Operating Income and Expenses*

#### *Interest and Other Income*

In the second quarter and first six months of fiscal 2003, interest and other income was \$7.8 million and \$16.6 million, compared to \$7.6 million and \$17.5 million in the same periods of fiscal 2002. In general, the interest income that we earn on our cash and short-term investment balances has been decreasing due in part to a continuing decline in market interest rates compared to the same periods of the prior year. Our interest income has also been decreasing as a result of lower average cash and short-term investment balances during fiscal 2003 due to our use of cash to fund our acquisitions and our stock repurchase program. Partially offsetting decreases due to these factors was interest income of \$1.6 million and \$3.8 million we recorded in the second quarter and first six months of fiscal 2003 in connection with the line of credit we extended to the company that purchased our Quicken Loans mortgage business on July 31, 2002. The line of credit was repaid in full in January 2003. See Note 5, Note 6 and Note 11 of

## Table of Contents

the financial statements. Interest earned on customer payroll deposits is reported as revenue for our payroll business, and is not included in interest and other income.

### *Gains (Losses) on Marketable Securities and Other Investments, Net of Taxes*

We recorded pre-tax net gains relating to marketable securities and other investments of \$2.8 million and \$3.1 million in the second quarter and first half of fiscal 2003. We recorded a pre-tax net gain of \$1.6 million in the second quarter of fiscal 2002 and a pre-tax net loss of \$10.6 million in the first six months of fiscal 2002. The net loss in the first six months of fiscal 2002 included charges of \$7.2 million for declines during the period in the market prices of our trading securities and S-1 options and \$3.3 million to write down certain long-term investments for which the decline in fair value below carrying value was other-than-temporary. We sold all of our trading securities in the first quarter of fiscal 2002.

### *Income Taxes*

In the second quarter and first six months of fiscal 2003, we recorded income tax provisions of \$55.9 million and \$29.9 million on pre-tax income from continuing operations of \$181.3 million and \$94.9 million, resulting in effective tax rates of approximately 31% and 32%. In the second quarter of fiscal 2002, we recorded an income tax provision of \$4.7 million on pre-tax income from continuing operations of \$104.6 million, resulting in an effective tax rate of approximately 4%. In the first six months of fiscal 2002, we recorded an income tax benefit of \$31.5 million on a pre-tax loss of \$34.9 million, resulting in an effective tax rate of 90%. The fiscal 2002 effective tax rates reflected a one-time benefit in the second quarter of \$34.4 million related to the our sale of Venture Finance Software Corporation and costs from impairment charges in the first and second quarters of \$9.0 million and \$5.4 million, respectively. Excluding these benefits and charges, the effective tax rates for the second quarter and first six months of fiscal 2002 would have been approximately 32% and 33%.

As of January 31, 2003, we had net deferred tax assets of \$234.1 million, which included a valuation allowance of \$6.8 million for net operating loss carryforwards relating to our international subsidiaries and certain state capital loss carryforwards. The allowance reflects management's assessment that we may not receive the benefit of certain loss carryforwards of our international subsidiaries and capital loss carryforwards in certain state jurisdictions. While we believe our current valuation allowance is sufficient, it may be necessary to increase this amount if it becomes more likely that we will not realize a greater portion of the net deferred tax assets. We assess the need for an adjustment to the valuation allowance on a quarterly basis.

### *Discontinued Operations*

On July 31, 2002, we sold our Quicken Loans mortgage business segment and accounted for the sale as discontinued operations. In accordance with APB Opinion No. 30, the operating results of Quicken Loans have been segregated from continuing operations in our statement of operations for all periods prior to the sale. In October 2002, we sold our residual equity interest in the purchasing company and recognized a gain of \$5.6 million, net of income taxes, on the transaction. See Note 6 of the financial statements.

On December 23, 2002, we signed a definitive agreement to sell our wholly-owned Japanese subsidiary, Intuit KK, for 9.5 billion yen or approximately \$79 million as of February 7, 2003, the date the transaction was completed. We will record a gain on disposal of discontinued operations in the third quarter of fiscal 2003. In accordance with SFAS No. 144, the operating results of Intuit KK have been segregated from continuing operations in our statement of operations for all periods presented. See Note 6 and Note 14 of the financial statements.

### **Liquidity and Capital Resources**

At January 31, 2003, our cash and cash equivalents and short-term investments totaled \$1.1 billion, a \$131.7 million decrease from July 31, 2002. The decrease was primarily due to our use of cash for our stock repurchase program, for an increase in accounts receivable reflecting the strong seasonality of our business and for an acquisition.

We generated \$166.6 million in cash from our operations during the six months ended January 31, 2003. One of the principal components of cash provided by operations was an increase of \$93.6 million in other current liabilities due mainly to higher reserves for returns and rebates that reflect the seasonality of our business. Other significant components of cash provided by operations were net income from continuing operations of \$64.9 million and

## [Table of Contents](#)

adjustments made for non-cash expenses, including depreciation charges of \$36.1 million and acquisition-related charges, charges for purchased research and development and amortization of purchased software totaling \$34.0 million. Cash generated by these and other operating activities was partially offset by an increase of \$188.0 million in accounts receivable, reflecting the seasonality of our business.

We used \$130.7 million in cash for investing activities during the first half of fiscal 2003. Our primary use of cash for investing activities was for the acquisition of Blue Ocean Software, Inc., which totaled \$171.7 million net of cash we acquired. We generated cash from short-term investments of \$95.4 million during the period, with proceeds of \$748.7 million from the sale upon maturity of certain short-term investments partially offset by reinvestments of \$653.3 million. As a result of our continued investment in information systems and infrastructure, we also purchased \$55.0 million in property and equipment.

We used \$334.0 million in cash for our financing activities in the first six months of fiscal 2003. The primary component of cash used in financing activities was \$423.2 million for the repurchase of treasury stock through our stock repurchase program. See Note 11 of the financial statements. This was partially offset by proceeds of \$90.6 million we received from the issuance of common stock under employee stock plans.

In May 2001, Intuit's Board of Directors authorized the company to repurchase up to \$500.0 million of common stock over a three-year period. In July 2002, our Board of Directors increased the authorized purchase amount by \$250.0 million to a total of \$750.0 million. From inception of the program through December 4, 2002, we repurchased a total of 16.6 million shares of our common stock for \$750.0 million. The stock repurchase program was concluded in December 2002 when the authorized purchase amount under the program was reached.

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 connection with the sale of our Quicken Loans mortgage business in July 2002, we agreed to continue providing to the purchasing company an interest-bearing line of credit of up to \$375.0 million to fund mortgage loans for a transition period of up to six months. The line was secured by the related mortgage loans and had an outstanding balance of \$245.6 million at July 31, 2002 and \$180.1 million at October 31, 2002. The line was repaid in full in January 2003. See Note 6 of the financial statements.

Outstanding loans to executive officers and other employees totaled \$21.3 million at July 31, 2002 and \$20.0 million at January 31, 2003. Loans to executive officers are primarily relocation loans. Loans are generally interest-bearing, secured by real property and have maturity dates of up to 10 years. All interest payments are current in accordance with the terms of the loan agreements. Consistent with the requirements of the Sarbanes-Oxley legislation enacted on July 30, 2002, none of these loans were made or modified since July 30, 2002 and we do not intend to make or modify executive loans in the future. See Note 13 of the financial statements.

We believe that our cash, 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.

The following table summarizes our contractual obligations to make future payments at January 31, 2003:

<i>(In millions)</i> Contractual Obligations	Payments Due by Period				Total
	Less than 1 year	1-3 years	3-5 years	More than 5 years	
Restricted cash	\$ 10.8	\$ —	\$ —	\$ —	\$ 10.8
Short-term notes payable	2.7	—	—	—	2.7
Long-term debt	—	7.4	2.3	3.1	12.8
Operating leases	30.2	43.6	29.6	19.8	123.2
Other obligations	24.4	—	—	—	24.4
Total contractual cash obligations	\$ 68.1	\$ 51.0	\$ 31.9	\$ 22.9	\$ 173.9

## [Table of Contents](#)

Restricted cash at January 31, 2003 included \$5.8 million that we held in escrow in connection with our fiscal 2002 acquisition of CBS Employer Services, Inc. The escrow period expires in June 2003. Restricted cash at January 31, 2003 also included \$5.0 million for product rebates due our customers.

Other obligations at January 31, 2003 consisted of amounts we owe to former stockholders of CBS Employer Services, Inc. in connection with our acquisition of that company in the fourth quarter of fiscal 2002. This contractual obligation is included in other current liabilities on our balance sheet. See Note 9 of the financial statements.

### Reserves for Returns and Rebates

Activity in our reserves for product returns and for rebates during the first six months of fiscal 2003 and comparative balances at January 31, 2002 were as follows:

<i>(In thousands)</i>	<u>Balance July 31, 2002</u>	<u>Additions Charged to Expense</u>	<u>Returns/ Redemptions</u>	<u>Balance January 31, 2003</u>	<u>Balance January 31, 2002</u>
Reserve for product returns	\$32,095	\$93,854	\$(56,025)	\$69,924	\$68,722
Reserve for rebates	8,169	89,091	(41,797)	55,463	34,908

Reserves for product returns were slightly higher at January 31, 2003 compared to January 31, 2002 because of revenue growth and the increased complexity of new QuickBooks products such as QuickBooks Enterprise Solutions, which we reserve at a higher rate than our QuickBooks Basic and Pro products. Reserves for rebates are higher at January 31, 2003 compared to January 31, 2002 because of an increase in end-user rebates in fiscal 2003.

### Recent Pronouncements

On June 29, 2001, the FASB issued SFAS 142, "Goodwill and Other Intangible Assets." SFAS 142 supercedes 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 for impairment at least annually or more frequently if 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. We adopted the remaining elements of this new standard in the first quarter of fiscal 2003 and therefore ceased amortizing goodwill for acquisitions made prior to July 1, 2001. However, it is possible that in the future we may incur impairment charges related to the goodwill already recorded and to goodwill arising out of future acquisitions. In addition, we will continue to amortize our purchased intangible assets and to assess those assets for impairment as appropriate.

As of the date of adoption of SFAS 142 on August 1, 2002, we had an unamortized acquired intangible assets balance of \$123.6 million and an unamortized goodwill balance of \$430.8 million. These balances reflect the transfer of \$1.9 million in assembled workforce from intangible assets to goodwill in accordance with SFAS 142. In connection with the transitional goodwill impairment evaluation provisions under SFAS 142, we performed a goodwill impairment review as of August 1, 2002 and found no impairment.

In July 2002, the FASB issued SFAS 146, "Accounting for Costs Associated with Exit and Disposal Activities." This statement revises the accounting for activities relating to exiting or disposing of businesses or assets under EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity." A formal commitment to a plan to exit an activity or dispose of long-lived assets will no longer be sufficient to record a one-time charge for most exit and disposal costs. Instead, companies will record exit or disposal costs when they are incurred and can be measured at fair value, and will subsequently adjust the recorded liability for changes in estimated cash flows. The provisions of SFAS 146 are effective prospectively for exit or disposal activities initiated after December 31, 2002. Companies may not restate previously issued financial statements for the effect of the provisions of SFAS 146, and liabilities that were recorded under EITF Issue No. 94-3 are not affected. We will assess the impact of adoption of SFAS 146 based on the nature of any exit or disposal activities that are ongoing at that time.

On December 31, 2002, the FASB issued SFAS 148, "Accounting for Stock-Based Compensation – Transition and Disclosure." This statement amends SFAS 123, "Accounting for Stock-Based Compensation," to provide

## [Table of Contents](#)

alternative methods of transition for an entity that voluntarily changes to the fair value based method of accounting for stock-based employee compensation. It also amends the disclosure provisions of that statement to require prominent disclosure about the effects on reported net income of an entity's accounting policy decisions with respect to stock-based employee compensation. Finally, this statement amends APB Opinion No. 28, *"Interim Financial Reporting,"* to require disclosure about those effects in interim financial statements. The amendment of the transition and annual disclosure requirements of SFAS 123 are effective for fiscal years ending after December 15, 2002. The amendment of the disclosure requirements of APB Opinion No. 28 is effective for financial reports containing condensed consolidated financial statements for interim periods beginning after December 15, 2002. Since we have not elected to change to the fair value based method of accounting for stock-based employee compensation, the transition provisions of SFAS 148 had no impact on our financial position, results of operations or cash flows. We adopted the disclosure provisions of this statement in the first quarter of fiscal 2003. See Note 11 of the financial statements.

In November 2002, the FASB issued Financial Interpretation No. ("FIN") 45, *"Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others."* FIN 45 elaborates on the existing disclosure requirements for most guarantees, including residual value guarantees issued in conjunction with operating lease agreements. It also clarifies that at the time a company issues a guarantee, the company must recognize an initial liability for the fair value of the obligation it assumes under that guarantee and must disclose that information in its interim and annual financial statements. The initial recognition and measurement provisions of this interpretation apply on a prospective basis to guarantees issued or modified after December 31, 2002. The disclosure requirements are effective for financial statements of interim or annual periods ending after December 15, 2002. We are currently evaluating the potential impact of FIN 45. If FIN 45 is applicable to us, our prospective revenue, cost of revenue and operating expenses could be negatively affected.

In January 2003, the FASB issued FIN 46, *"Consolidation of Variable Interest Entities."* FIN 46 requires us to consolidate a variable interest entity if we are subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. A variable interest entity is a corporation, partnership, trust or any other legal structure used for business purposes that either does not have equity investors with voting rights or has equity investors that do not provide sufficient financial resources for the entity to support its activities. A variable interest entity often holds financial assets, including loans or receivables, real estate or other property. A variable interest entity may be essentially passive or it may engage in research and development or other activities on behalf of another company. The consolidation requirements of FIN 46 apply immediately to variable interest entities created after January 31, 2003. The consolidation requirements apply to older entities in the first fiscal year or interim period beginning after June 15, 2003. Some of the disclosure requirements apply to all financial statements issued after January 31, 2003, regardless of when the variable interest entity was established. We do not currently have any variable interest entities and, accordingly, we do not expect our adoption of FIN 46 to have a material impact on our financial position, results of operations or cash flows.

## [Table of Contents](#)

### **Risks That Could Affect Future Results**

*The factors discussed below are cautionary statements that identify important risks and trends that could impact our future operating results and could cause actual results to differ materially from those anticipated in the forward-looking statements in this Report. Our fiscal 2002 Form 10-K and other SEC filings contain additional details about these risks, as well as other risks that could affect future results.*

#### **Company-Wide Risk Factors**

*Our revenue and earnings are highly seasonal. Seasonality and other factors cause significant quarterly and annual fluctuations in our revenue and net income. Several of our businesses are highly seasonal — particularly our tax businesses, but also small business 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 30. We experience lower revenues, and often significant operating losses, in the first and fourth quarters ending October 31 and July 31. Recently we have experienced an increasing concentration of revenue and net income in the third fiscal quarter. Our financial results can also fluctuate from quarter to quarter and year to year due to a variety of factors, including changes in product release dates, and the timing of acquisitions, dispositions, goodwill and intangible assets impairment charges and gains and losses related to marketable securities.*

*Fluctuations in interest rates can cause significant quarterly and annual fluctuations in our net income and asset values. Declines in interest rates have resulted in a significant decline in the interest income we earned on our investment portfolio during recent reporting periods, which has had a negative impact on our net income (loss) and net income (loss) per share. Declining interest rates can also reduce the value of our interest rate sensitive assets, such as certain assets that relate to our payroll business.*

*Business integration of acquired companies can present challenges and we may not fully realize the intended benefits of our acquisitions. During the past few years, we have completed numerous acquisitions. These acquisitions have expanded our product and service offerings, personnel and geographic locations. Integrating and organizing acquired businesses creates challenges for our operational, financial and management information systems, as well as for our product development processes. This can put a strain on our resources and be expensive and time consuming. If we do not adequately address issues presented by growth through acquisitions, we may not fully realize the intended benefits (including financial benefits) of these acquisitions.*

*Our acquisition strategy entails a number of challenges that could limit our successful implementation of the strategy. A key component of our Right for My Business strategy is to continue to expand our product and service offerings, and we expect that a significant portion of this expansion will result from acquisitions. We could face the following risks relating to our strategy and future acquisitions, in addition to the integration challenges noted above:*

- Increased competition for acquisition opportunities could inhibit our ability to complete suitable acquisitions, and could also increase the price we would have to pay to complete acquisitions.
- If we are unable to complete acquisitions successfully, we may not be able to develop and market products for new industries or applications with which we may not be familiar.
- Future acquisitions may require us to issue shares of our stock and stock options to owners of the acquired businesses, which would result in dilution to the equity interests of our stockholders.
- Despite our due diligence reviews, acquired businesses may bring with them unanticipated liabilities, business or legal risks or operating costs that could harm our results of operations or business, reduce or eliminate any benefits of the acquisition or require unanticipated expenses.
- If we fail to retain the services of key employees of acquired companies for significant time periods after the acquisition of their companies, we may experience difficulty in managing the acquired company's business and not realize the anticipated benefits of the acquisition.

*Acquisition-related costs can cause significant fluctuation in our net income. Our recent 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 and impairment of goodwill, purchased*

## [Table of Contents](#)

intangibles and deferred compensation (which are reflected in operating expenses). Total acquisition-related costs in the categories identified above were \$263.0 million in fiscal 2001, \$196.0 million in fiscal 2002 and \$34.0 million in the first half of fiscal 2003. Fiscal 2003 acquisition-related costs have declined primarily because of a change in accounting for goodwill. However, we may incur less frequent, but larger, impairment charges related to the goodwill already recorded and to goodwill arising out of future acquisitions as we continue to expand our business. We expect total acquisition-related costs for fiscal 2003 to be approximately \$66.0 million, assuming no additional acquisitions or impairment charges. As of January 31, 2003, we had an unamortized goodwill balance of approximately \$583.9 million, which could be subject to impairment charges in the future. Additional acquisitions, and any additional impairment of the value of purchased assets, could have a significant negative impact on our future operating results.

*If we are required to account for options under our employee stock plans as a compensation expense, it would significantly reduce our net income and earnings per share.* There has been increasing public debate about the proper accounting treatment for employee stock options. Although we are not currently required to record any compensation expense in connection with option grants that have an exercise price at or above fair market value, it is possible that future laws or regulations will require us to treat all stock options as a compensation expense. Note 11 of the financial statements shows the impact that such a change in accounting treatment would have had on our net income (loss) and net income (loss) per share if it had been in effect during the reporting periods shown and if the compensation expense were calculated as described in Note 11.

*The general decline in economic conditions could lead to reduced demand for our products and services.* The continuing downturn in general economic conditions has led to reduced demand for a variety of goods and services, including software and other technology products. If conditions decline, or fail to improve, in geographic areas that are significant to us, such as the United States and Canada, we could see a significant decrease in the overall demand for our products and services that could harm our operating results.

*If we do not continue to successfully develop new products and services in a timely manner, our future financial results will suffer.* Over the past two years, we have introduced a number of new desktop software products that are specially designed for specific businesses and consumer needs. We believe that it is necessary to continually develop new products and services and to improve existing products and services to remain competitive in the markets we serve. Failure to do so may give competitors opportunities to improve their competitive position at our expense and result in declines in our revenue and earnings. However, developing and improving our products and services becomes more complex as we increase the number of software products that we offer. The development and enhancement processes involve several risks, including challenges in hiring and retaining highly qualified employees, the risk of delays in product and service launches and the risk of defects that hinder performance.

*The expansion of our product and service offerings creates risks due to the increasing complexity and decreasing predictability of our revenue streams.* Our expanding range of products and services generates more varied revenue streams than our traditional desktop software businesses. The accounting policies that apply to these revenue streams are more complex than those that apply to our traditional products and services. We expect this trend to continue with future acquisitions. For example, as we begin to offer additional features and options as part of multiple-element sales arrangements, we could be required to defer a higher percentage of our product revenue at the time of sale than we do for traditional products, which would decrease revenue at the time products are shipped, but result in more revenue in fiscal periods after shipment. In addition, some of our newer businesses offer higher-priced business management software products and services. Revenue attributable to these higher priced products and services tends to be less predictable than revenue from our traditional desktop products, due to longer sales and implementation cycles. These businesses also tend to rely on a relatively small number of large orders for a substantial portion of their revenue in a particular quarter, which could cause our quarterly revenue from these businesses to fluctuate.

*The expansion of our product and service offerings creates risks due to the operational infrastructure required to support our expanded portfolio of products and services.* Many of our newer businesses depend on a different operational infrastructure than our desktop software businesses, and we must continually develop, expand and modify our internal systems and procedures – including call center, customer management, order management, billing and other systems – to support these businesses.

*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 waiting times for customers when our staffing is inadequate to

## [Table of Contents](#)

handle a higher than anticipated volume of requests. These situations 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 requests through product improvements, better order fulfillment processes and more robust self-help tools. We must also improve our ability to accurately anticipate demand for customer service and technical support.

*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. 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, we have incurred significant expenses to comply with mandatory privacy and security standards and protocols. Additional similar federal and state laws, and/or laws that govern telemarketing activity, may be passed in the future, and the cost of complying with additional legislation could have a negative impact on our operating results.

*We face several risks relating to our retail distribution channel.* We face ongoing challenges in negotiating favorable terms (including financial terms) with retailers, due in part to the recent trend of declining importance of software as a retail category. In addition, any termination or significant disruption of our relationship with any of our major resellers could result in a decline in our net revenue. Also, any financial difficulties of our retailers could have an adverse effect on our operating expenses if uncollectible amounts from them exceed the bad debt reserves we have established.

*We rely on third-party vendors to handle substantially all outsourced aspects of manufacturing and distribution for our primary retail desktop software products.* To manufacture and distribute our primary retail products at the time of product launches and to replenish products in the retail channel after the primary launch, we have manufacturing relationships with Modus Media and Sony, and a distribution arrangement with Ingram Micro Logistics. While we believe that relying on only three outsourcers for product launches and replenishment improves the efficiency and reliability of these activities, relying on any vendor for a significant aspect of our business can have severe negative consequences if the vendor fails to perform at acceptable service levels for any reason, including but not limited to financial difficulties of the vendor.

*Actual product returns may exceed returns reserves, particularly for our consumer tax preparation software.* We ship more desktop software 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 consumer 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. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies — Net Revenue — Return and Rebate Reserves.” 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.

*Legal protection for our intellectual property is not always effective to prevent unauthorized use or copying.* Current U.S. laws that prohibit copying give us only limited practical protection from software “pirates,” and the laws of many other countries provide very little protection. Policing unauthorized use of our products is difficult, expensive and time-consuming. Although we incorporate product activation technology in some of our tax preparation products in order to reduce unauthorized sharing of the products, we expect that software piracy will continue to be a persistent problem for our desktop software products. In addition, the Internet may tend to increase, and provide new methods for, illegal copying of the technology used in our desktop and Internet-based products and services. We also face risks relating to our licensing of our intellectual property to third parties. In connection with our sale of our Quicken Loans mortgage business, we licensed the use of the Quicken Loans and Quicken Mortgage trademarks to the purchaser. If the purchaser violates the terms of the trademark license, it could result in serious and irreparable harm to Intuit’s reputation and the value of our Quicken-related brands.

*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. Any significant



## [Table of Contents](#)

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.

### ***Specific Factors Affecting Our QuickBooks, Small Business Products and Services and Vertical Business Management Solutions Segments***

*Despite positive early indicators, it is too soon to provide assurance that we will be able to generate substantial and sustained revenue growth from new products and services in the small business accounting and business management segments.* To meet our growth goals, we must generate revenue from a wider range of market and customer segments as well as from new products and services. Although we are encouraged by early results, there are still a number of risks associated with our growth strategy, including the following:

- Our strategy depends on our successfully completing acquisitions and integrating acquired companies, which presents a number of challenges as described above under “Company-Wide Risk Factors.”
- Our strategy is resulting in a dramatic increase in the number and complexity of the products and services that we offer. This is placing greater demands on our research and development, marketing and sales resources, as we must develop, market and sell both the new products and services as well as periodic enhancements to an expanding portfolio of products and services. This will also require us to continually develop, expand and modify our internal business operations systems and procedures to support new businesses, including our customer service and technical support contact centers, and our customer management, order management, billing and other systems.
- Many of the new products and services we are and will be offering are much more complex than our traditional core desktop software products and are being priced accordingly. They will therefore require a more consultative sales process, and a higher level of post-sales support. If we are not able to effectively adapt our marketing, sales, distribution and customer support functions to accommodate these changes, we will not succeed in generating significant or sustained revenue from these new businesses.

*We face a wide range of competitive risks that could impact our financial results.* In the small business arena, we face current competition from competitors’ desktop software, as well as from other Web-based small business services products. Many competitors and potential competitors have begun providing, or have expressed significant interest in providing, accounting and business management products and services to small businesses. As we implement our Right for My Business strategy we face increased competitive threats from larger companies in bigger markets than we have historically faced.

*Revenue growth for our vertical business management solutions may be hindered by a variety of factors, which could have a negative impact on overall company growth.* Revenue growth for our vertical business management solutions is subject to numerous risks, including the negative impact of the current economic environment on customer purchases of the relatively high-priced software solutions offered by our vertical businesses, and the potential disruption to the businesses during the acquisition integration process. In addition, revenue growth in any particular period may be difficult to predict because of the complex revenue streams generated by these businesses, and the corresponding complexity in the accounting policies that apply to them.

*Our payroll business faces a number of risks that could have a negative impact on revenue and profitability.* For our payroll offerings, we must be able to process customer data accurately, reliably and in a timely manner in order to attract and retain customers and avoid the costs associated with errors. Our outsourced payroll businesses include interest on customer deposits as part of their revenue. If interest rates continue to decline, it would result in less interest revenue for those businesses. In order to generate sustained growth for our Intuit Payroll Services Complete Payroll, we will be required to successfully develop and manage a more extensive and proactive direct field sales operation, which is a different distribution method than those we have historically relied on.

### ***Specific Factors Affecting Our Consumer Tax Segment***

*We face intense competitive pressures from the private sector in our consumer tax preparation software business.* There are formidable current and potential competitors in the private sector, and we expect competition to remain

## [Table of Contents](#)

intense during fiscal 2003 and beyond. These competitive pressures can have a negative impact on our revenue, profitability and market position.

*Our consumer tax preparation business also faces competition from publicly funded government entities.* We face current and potential competition from a number of publicly-funded state government entities that are offering individual taxpayers electronic tax preparation and/or filing services, at no cost to individual taxpayers. If state governmental agencies are ultimately successful in their efforts to develop consumer tax preparation and filing services and to gain consumer acceptance of those services, it could have a negative impact on our financial results in future years. The federal government announced a proposal in August 2002 that would mitigate the risk of government encroachment in federal tax preparation and filing services. Under an agreement signed in October 2002, for at least the next three years, a number of private sector companies, rather than the federal government, will provide Web-based federal tax preparation and filing services at no cost to lower income taxpayers and other underserved taxpayers through voluntary public service initiatives such as our Intuit Tax Freedom Project. Despite this positive development, future administrative, regulatory or legislative activity in this area could adversely impact Intuit and other companies that provide tax preparation software and services. Intuit is actively working with others in the private sector, as well as with state government policy makers, to help clarify the appropriate roles for government agencies and the private sector in the electronic commerce marketplace.

*The product activation technology that we introduced into certain TurboTax desktop products this season has increased the uncertainty relating to the short-term financial results for our Consumer Tax business.* Federal tax versions of TurboTax desktop products for Windows now include product activation technology that helps to prevent unlicensed users from using pass-along and/or counterfeit copies of TurboTax to print or electronically file a tax return. The introduction of product activation has generated negative commentary in the media and in online forums, and has also resulted in a modest increase in the volume of customers contacting our customer service and technical support centers. We believe that product activation is an appropriate measure to protect Intuit's intellectual property by reducing organized piracy and unauthorized sharing of our product. In turn, this should result in more users of the product purchasing licensed copies. However, in the short-term, there is uncertainty about whether the negative publicity will impact Consumer Tax results this season.

*If we fail to maintain reliable and responsive service levels for our electronic tax offerings, we could lose revenue and customers.* Our Web-based tax preparation and electronic filing services must effectively handle extremely heavy customer demand during the peak tax season. We face significant challenges in maintaining high service levels, particularly during peak volume service times. The exact level of demand for TurboTax for the Web and electronic filing is impossible to predict. If we are unable to meet customer expectations in a cost-effective manner, we could lose customers, receive negative publicity and incur increased operating costs, any of which could have a significant negative impact on the financial and market success of these businesses.

### ***Specific Factors Affecting Our Personal Finance Business***

*The long-term viability of our personal finance business will depend on our ability to provide new products and services that can generate revenue growth and enable us to compete effectively.* The demand for personal finance software such as Quicken and for Internet advertising on Web sites like Quicken.com has weakened significantly over recent years and revenue for our personal finance business has declined. We must identify and capitalize on additional sources of revenue to provide sustainable future growth for our personal finance business. It is too early to tell whether our recently launched Quicken Brokerage powered by Siebert will generate sustainable revenue growth. Furthermore, it is unlikely that the brokerage service, even if successful, will by itself be sufficient to sustain our personal finance business, so we must identify additional sources for growth. In addition, our personal finance products face aggressive competition that could have a negative impact on revenue, profitability and market position. Our Quicken products compete directly with Microsoft Money and with Web-based personal finance tracking and management tools that are often available at no cost to consumers. Competitive pressures could result in reduced revenue and lower profitability for our Quicken product line.

[Table of Contents](#)

**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.

**Interest Rate Risk**

Our cash equivalents and short-term investment portfolio are subject to market risk due to changes in interest rates. Interest rate movements affect the interest income we earn on cash equivalents and short-term investments and the value of those investments.

Over the past few years, we have experienced significant reductions in our interest income due to declines in interest rates. These declines have led to interest rates that are low by historical standards and we do not believe that further decreases in interest rates will have a material impact on the interest income earned on our cash equivalents and short-term investments held at January 31, 2003.

**Impact of Foreign Currency Rate Changes**

We translate foreign currencies (primarily Canadian dollars and British pounds) into U.S dollars for financial reporting purposes. Accordingly, currency fluctuations can have an impact on our financial results, though the historical impact has generally been immaterial. 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 each of the fiscal years ended July 31, 2000, 2001 and 2002 and for the first six months of fiscal 2003, there was an immaterial currency exchange impact from our intercompany transactions. Although the impact of currency fluctuations on our financial results has generally been immaterial in the past and we believe that for the reasons cited above currency fluctuations will not be significant in the future, there can be no guarantee that the impact of currency fluctuations will not be material in the future. As of January 31, 2003, we had one foreign currency hedge contract that related to the sale of our Japanese subsidiary. See Note 6 to the financial statements.

[Table of Contents](#)

**ITEM 4  
CONTROLS AND PROCEDURES**

(a) Disclosure Controls and Procedures

The SEC defines the term “disclosure controls and procedures” to mean a company’s controls and other procedures that are designed to ensure that information required to be disclosed in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Our chief executive officer and our chief financial officer, based on their evaluation of our disclosure controls and procedures within 90 days before the filing date of this report (the “Evaluation Date”), concluded that our disclosure controls and procedures were effective for this purpose.

(b) Changes in Internal Controls

There were no significant changes in our internal controls or, to our knowledge, in other factors that could significantly affect these controls subsequent to the Evaluation Date.

[Table of Contents](#)

**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 Rubin case was dismissed on November 19, 2001. 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, Central District 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 alleged 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 sought injunctive relief, orders to disgorge profits related to the alleged acts, and statutory and other damages. On January 6, 2003, a settlement between Intuit and the plaintiffs' counsel in all of the remaining cases was preliminarily approved by the federal court with a final approval hearing scheduled for June 2003. The proposed settlement terms are not material to Intuit.

Intuit is subject to certain routine 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.

**ITEM 2**  
**CHANGES IN SECURITIES AND USE OF PROCEEDS**

On April 29, 1998, the Board of Directors adopted a stockholder rights plan designed to protect the long-term value of Intuit for its stockholders during any future unsolicited acquisition attempt, as described in Intuit's fiscal 2002 Form 10-K. Under the terms of the rights plan, a dividend was paid of one right for each share of Common Stock outstanding as of May 11, 1998, and thereafter, one right is issued with each share of Common Stock that becomes outstanding, until the occurrence of certain defined events under the rights plan. Each right established under the rights plan, upon the occurrence of certain defined events under the rights plan, may be exercised to purchase 1/3000th of a share of Series B Junior Participating Preferred Stock. On January 30, 2003, the Board of Directors amended the rights plan to change the exercise price for the rights from \$83.33 per 1/3000<sup>th</sup> share to \$300 per 1/3000<sup>th</sup> share.

[Table of Contents](#)

**ITEM 4**  
**SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

At Intuit's Annual Meeting of Stockholders held on December 12, 2002, our stockholders voted on the following proposals:

1. Proposal to elect directors:

	For	Withheld
Stephen M. Bennett	182,356,588	3,608,573
Christopher W. Brody	176,722,167	9,242,994
William V. Campbell	179,495,419	6,469,742
Scott D. Cook	184,289,531	1,675,630
L. John Doerr	184,177,405	1,787,756
Donna L. Dubinsky	181,293,841	4,671,320
Michael R. Hallman	176,640,231	9,324,930
Stratton D. Sclavos	183,962,024	2,003,137

2. Proposal to amend the Intuit Inc. 2002 Equity Incentive Plan to increase the number of shares of common stock available for issuance under that plan by 4,850,000 shares:

For	94,112,418
Against	90,846,567
Abstain	1,006,176
Broker Non-Votes	0

3. Proposal to amend Intuit's 1996 Employee Stock Purchase Plan to increase the number of shares of common stock available for issuance under that plan by 1,100,000 shares and increase the frequency of offering periods:

For	181,154,463
Against	3,800,308
Abstain	1,010,391
Broker Non-Votes	0

4. Proposal to amend Intuit's 1996 Directors Stock Option Plan to increase the number of shares of common stock available for issuance under that plan by 150,000 shares and to add 5,000-share annual option grants for members of the Nominating Committee of our Board of Directors and reduce the annual option grants to eligible Board members to 15,000 shares:

For	155,170,686
Against	29,706,285
Abstain	1,088,190
Broker Non-Votes	0

5. Proposal to adopt the Intuit Inc. Senior Executive Incentive Plan:

For	174,303,097
Against	10,572,826
Abstain	1,089,238
Broker Non-Votes	0

[Table of Contents](#)

6. Proposal to ratify the appointment of Ernst & Young LLP as Intuit’s independent auditors for fiscal 2003:

For	167,280,448
Against	17,706,630
Abstain	978,083
Broker Non-Votes	0



[Table of Contents](#)

**ITEM 5  
OTHER MATTERS**

**CHANGES IN EXECUTIVE OFFICERS**

In August 2002, Greg J. Santora, Intuit's then-current Senior Vice President and Chief Financial Officer, announced his plans to retire from Intuit at the end of calendar 2002. Mr. Santora resigned as an officer of Intuit on January 5, 2003.

Robert B. ("Brad") Henske was appointed as Senior Vice President and Chief Financial Officer of Intuit on January 6, 2003. He served as Senior Vice President and Chief Financial Officer of Synopsys, Inc., a supplier of electronic design automation software, from May 2000 until January 2003. From January 1997 to December 1999, Mr. Henske was a partner at Oak Hill Capital Management, a Robert M. Bass Group private equity investment firm. Mr. Henske holds a Bachelor of Science degree in Chemical Engineering from Rice University and an MBA in finance and strategic management from The Wharton School, University of Pennsylvania.

[Table of Contents](#)

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

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

Exhibit No.	Exhibit Description	Filed with this Form 10-Q	Incorporated By Reference		
			Form	File No.	Date Filed
4.01	Third Amended and Restated Rights Agreement dated as of January 30, 2003 between Intuit Inc. and American Stock Transfer and Trust Company, as Rights Agent		8-A/A	000-21180	2/18/03
4.02	Form of Right Certificate for Series B Junior Participating Preferred Stock (included in Exhibit 4.01 as Exhibit B)		8-A/A	000-21180	2/18/03
10.01+	Separation Agreement dated December 30, 2002 between Intuit Inc. and Greg J. Santora	X			
10.02+	Employment Agreement dated December 30, 2002 between Intuit Inc. and Robert "Brad" Henske	X			
10.03+	Intuit Inc. Senior Executive Incentive Plan adopted on December 12, 2002		DEF14A Appendix 3	000-21180	10/23/02
10.04+	1996 Directors Stock Option Plan and forms of Agreement, as amended by the Board on January 30, 2003	X			
10.05+	1998 Option Plan for Mergers and Acquisitions, as amended by the Board on January 29, 2003	X			
10.06+	2002 Equity Incentive Plan, as amended by the Board on January 29, 2003	X			
10.07+	1996 Employee Stock Purchase Plan, as approved by the stockholders on December 12, 2002		S-8	333-102213	12/26/02

+ Management compensatory plan or arrangement.

Reports on Form 8-K filed during the second quarter of fiscal 2003:

1. On November 15, 2002, Intuit filed a report on Form 8-K to report under Item 5 its financial results for the quarter ended October 31, 2002. Intuit's balance sheet and statement of operations for the quarter ended October 31, 2002 were included in the 8-K.
2. On December 3, 2002, Intuit submitted a Report on Form 8-K to report under Item 9 that it was reiterating its then-current fiscal 2003 guidance.
3. On January 7, 2003, Intuit filed a report on Form 8-K to report under Item 5 that it had appointed Robert "Brad" Henske as Senior Vice President and Chief Financial Officer. Mr. Henske replaced Greg Santora, who announced his retirement in August 2002 and resigned on January 5, 2003. No financial statements were submitted with the report.

[Table of Contents](#)

**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: February 28, 2003

**INTUIT INC.**  
**(Registrant)**

By: /s/ Robert B. Henske \_\_\_\_\_

Robert B. Henske  
Senior Vice President and Chief Financial Officer  
(Authorized Officer and Principal Financial Officer)

**CERTIFICATION**

I, Stephen M. Bennett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Intuit Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
  - a. designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c. presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: February 28, 2003

By: /s/ Stephen M. Bennett

\_\_\_\_\_  
Stephen M. Bennett  
President and Chief Executive Officer

**CERTIFICATION**

I, Robert B. Henske, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Intuit Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
  - a. designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c. presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: February 28, 2003

By: /s/ Robert B. Henske

\_\_\_\_\_  
Robert B. Henske  
Senior Vice President and Chief Financial Officer

**EXHIBIT INDEX**

<b><u>Exhibit Number</u></b>	<b><u>Exhibit Description</u></b>
10.01+	Separation Agreement dated December 30, 2002 between Intuit Inc. and Greg J. Santora
10.02+	Employment Agreement dated December 30, 2002 between Intuit Inc. and Robert “Brad” Henske
10.04+	1996 Directors Stock Option Plan and forms of Agreement, as amended by the Board on January 30, 2003
10.05+	1998 Option Plan for Mergers and Acquisitions, as amended by the Board on January 29, 2003
10.06+	2002 Equity Incentive Plan, as amended by the Board on January 29, 2003

+ Management compensatory plan or arrangement.



December 30, 2002

Greg J. Santora

Re: Separation Agreement

Dear Greg:

This letter confirms the terms of your separation from the employment of Intuit Inc., a Delaware corporation, with offices at 2535 Garcia Avenue, Mountain View, CA 94043 (the "Company").

1. Termination Date. Your employment with the Company is terminated effective February 14, 2003 (the "Termination Date").

2. Shares. Assuming you do not exercise any stock options between today's date and the Termination Date, on the Termination Date, you will hold vested options to purchase shares of Intuit's Common Stock as indicated on the Personnel Option Status report, attached hereto, as Exhibit A. Your options will continue to vest until the Termination Date (but not thereafter) and will remain exercisable for so long as you remain a member of a Board of Directors of an Intuit subsidiary, and Intuit will amend your options accordingly. The Company agrees that it will take all reasonable action necessary to continue your membership on two such Boards of Directors (Intuit Ventures Inc. and Quicken Investment Services Inc.) through July 31, 2004, except that the Company may remove you either: a) for "Cause" which shall mean (i) your conviction or admission of any crime involving dishonesty or moral turpitude; (ii) your participation in any act of fraud or malfeasance against the Company or its subsidiary; (iii) your violation of any provision of this Agreement or your Employee Proprietary Information and Confidentiality Agreement; (iv) your violation of any of the policies of the Company or its subsidiaries, including but not limited to the Company's Insider Trading Policy or Business Conduct Guide; or (v) other misconduct in connection with the performance of your duties as a director; or b) at any time without Cause if Intuit no longer has the power to elect a majority of the members of the subsidiary's board. You agree to resign from all such Intuit subsidiary Boards of Directors effective July 31, 2004 (your "Board Termination Date"). Breach of your obligation to so resign shall be deemed a material breach of this Agreement. In accordance with the terms of your original Stock Option Grant Agreements, you will have ninety (90) days following your Board Termination Date (October 29, 2004) in which to exercise your options. You acknowledge that you have no additional options other than those listed on Exhibit A.

---

3. **Payment of Wages.** On the Termination Date, the Company will deliver to you a final paycheck for all accrued wages, salary, bonuses, reimbursable expenses, accrued but unused vacation pay and any similar payments due and owing to you from the Company as of the Termination Date. By acceptance of this final paycheck you are acknowledging that the Company does not owe you any other amounts.
4. **COBRA Coverage.** You have the option, at your own expense, to extend the health insurance coverage currently provided by the Company for a period of 18 months from the Termination Date pursuant to the terms and conditions of COBRA. You have 60 days from the Termination Date to notify the Company in writing of your election to so continue your continuation coverage, pursuant to the terms and conditions of COBRA and at your own expense.
5. **Severance Payment.** Provided you sign the General Release of all claims attached hereto as Exhibit B (the "Release") on or promptly following February 14, 2003 you will receive, as severance, payment in an amount equivalent to your current base salary for eighteen (18) months. You will also be paid Fifty-Five Thousand Dollars (\$55,000), in lieu of Intuit's paying the cost of COBRA and other benefits for 18 months. This severance pay is in addition to any amounts due you from the Company and is given as consideration for the Release. This severance will be paid to you in one lump sum within two weeks of your signing Exhibit B. All normal withholding and deductions will be applied.
6. **Intuit's Performance Incentive Plan.** Provided you sign the Release on or promptly following February 14, 2003, your participation in Intuit's Performance Incentive Plan (the "IPI") for the 2003 fiscal year (August 1, 2002 through July 31, 2003) will be paid at 100% of your target (\$252, 000). This IPI bonus will be paid to you in September 2003 at the time Company employees receive their IPI payouts for the 2003 fiscal year. All normal withholdings and deductions will be applied.
7. **Soliciting, Recruiting, and Return of Company Property.** You acknowledge and agree that for a period of eighteen (18) months after the Termination Date, you will not directly or indirectly solicit or recruit away employees or consultants of the Company for your own benefit or for the benefit of any other person or entity. You hereby also represent and warrant to the Company that by the Termination Date, you will return to the Company any and all property or data of the Company of any type whatsoever that may have been in your possession or control, except that you may keep your laptop, monitor, and cell phone and you may retain such data as you may need to perform your duties as a director of an Intuit subsidiary. You agree that you will delete all Intuit Confidential or Proprietary Information from your laptop immediately following the Termination Date, except such information as you may need to access in your capacity as a director of an Intuit subsidiary.
8. **Confidential Information.** You hereby acknowledge that as a result of your employment with the Company you have had access to the Proprietary Information (as defined in the confidentiality agreement you signed upon hire with Company) of the Company, that said



confidentiality agreement obligates you to hold all such Proprietary Information in strictest confidence and that you may not make any use of such Proprietary Information on behalf of any third party. You further confirm that by Termination Date you will deliver to the Company all documents and data of any nature containing or pertaining to such Proprietary Information and that you will not take with you any such documents or data or any reproduction thereof except to the extent that you need to maintain such information in your capacity as a director of an Intuit subsidiary.

9. Release of Claims. In exchange for the benefits described in Paragraphs 5 and 6 above, you agree to execute the General Release attached hereto as Exhibit B on or promptly following February 14, 2003.

10. Responsibilities and Filings: This confirms that although you remain an Intuit employee until the Termination Date, as of the end of the day on January 5, 2003 you will resign your position as CFO and Sr. Vice President of Intuit Inc. (you maintain your directorships on the Boards of Directors of the Intuit subsidiaries named above) and will cease to serve as an executive officer of Intuit Inc. for purposes of Section 16 of the Securities Exchange Act of 1934. From January 6, 2003 until your Termination Date, you will continue to provide support as needed to Intuit Inc. related to the preparation of Intuit Inc.'s FY03 second quarter financial statements, such support to include providing all appropriate information and representations related to such financial statements and their preparation. After January 5, 2003, you will no longer be subject to Section 16, except any remaining filing requirements or potential liabilities under Section 16. You will remain an "access person" and you will be subject to Intuit's Insider Trading Policy for Access Personnel through the Termination Date.

11. Legal and Equitable Remedies; Arbitration. You agree that you and the Company shall have the right to enforce this Agreement and any of its provisions by injunction, specific performance or other equitable relief without prejudice to any other rights or remedies you or the Company may have at law or in equity for breach of this Agreement. You and the Company agree that any dispute or claim of any nature arising between you and the Company, other than claims for workers' compensation, claims under Section 16(b) of the Securities Exchange Act, claims under the Indemnity Agreement referred to in Paragraph 16, below, claims for unemployment benefits or trade secret misappropriation, shall be submitted to final and binding arbitration before a neutral arbitrator. The arbitrator shall be selected according to the commercial arbitrator selection procedures of the American Arbitration Association, and his or her fees shall be shared equally by the parties. The arbitrator shall decide any such claim and may grant any relief authorized by law. The arbitrator shall issue a written award and opinion. Nothing contained herein shall preclude you or the Company from seeking a temporary injunction or other provisional relief where appropriate. This provision is governed by the California arbitration statute, Code of Civil Procedure §1280 et seq.

12. Attorneys' Fees. If any action at law or in equity is brought to enforce the terms of this Agreement, the prevailing party shall be entitled to recover its reasonable attorneys' fees, costs and expenses from the other party, in addition to any other relief to which such prevailing party may be entitled.

13. Confidentiality. The contents, terms and conditions of this Agreement shall be kept confidential by you and shall not be disclosed except to your accountants, attorneys, spouse, or pursuant to subpoena or court order. Any breach of this confidentiality provision shall be deemed a material breach of this Agreement.
14. No Admission of Liability. This Agreement is not and shall not be construed or contended by you to be an admission or evidence of any wrongdoing or liability on the part of the Company, its representatives, heirs, executors, attorneys, agents, partners, officers, shareholders, directors, employees, subsidiaries, affiliates, divisions, successors or assigns. This Agreement shall be afforded the maximum protection allowable under California Evidence Code Section 1152 and/or any other state or Federal provisions of similar effect.
15. Review of Agreement. You acknowledge your understanding that you may take up to twenty-one (21) days to consider this Agreement and Exhibit B and that you have been advised to consult with an attorney prior to executing this Agreement. You further acknowledge that you understand that you may revoke your agreement within seven (7) days of your execution of this Agreement or Exhibit B and that any consideration paid to you will be paid only after that seven (7) day revocation period has expired.
16. Indemnification. The Company acknowledges its obligations under the Indemnity Agreement between you and the Company, attached hereto as Exhibit C. In addition, the Company agrees the "D&O Insurance" referenced in the Indemnity Agreement shall continue to cover and include you for the period of time described in said Agreement.
17. Entire Agreement. This Agreement constitutes the entire agreement between you and the Company with respect to the subject matter hereof and supersedes all prior negotiations and agreements, whether written or oral, relating to such subject matter. You acknowledge that neither the Company nor its agents or attorneys, have made any promise, representation or warranty whatsoever, either express or implied, written or oral, which is not contained in this Agreement for the purpose of inducing you to execute the Agreement, and you acknowledge that you have executed this Agreement in reliance only upon such promises, representations and warranties as are contained herein.
18. Modification. It is expressly agreed that this Agreement may not be altered, amended, modified, or otherwise changed in any respect except by another written agreement that specifically refers to this Agreement, duly executed by authorized representatives of each of the Parties hereto.
19. Governing Law. This Agreement is governed by, and is to be interpreted according to, the laws of the State of California. If any term of this Agreement or application thereof is deemed invalid or unenforceable, the remainder of the Agreement shall remain in full force and effect.



## EXHIBIT A

## PERSONNEL OPTION STATUS REPORT

AS OF 2/14/03

Greg J Santora

Number	Option Date	Plan	Type	Granted	Price	Exercised	Vested	Cancelled	Unvested
M02128	3/27/97	93	NQ	24,999	\$ 7.9167	24,999	24,999	0	0
M02129	3/27/97	93	NQ	21,000	\$ 7.9167	21,000	21,000	0	0
M02130	3/27/97	93	NQ	52,500	\$ 7.9167	52,500	52,500	0	0
012338	8/1/97	93	NQ	30,000	\$ 9.0000	30,000	30,000	0	0
015080	8/3/98	93	NQ	45,000	\$16.3750	45,000	45,000	0	0
016039	12/21/98	93	NQ	30,000	\$23.3333	30,000	30,000	0	0
017481	3/24/99	93	NQ	90,000	\$30.5833	80,625	86,250	0	3,750
018282	5/7/99	93	NQ	150,000	\$26.2083	150,000	150,000	0	0
00025693	5/18/00	93	NQ	100,000	\$26.1250	100,000	100,000	0	0
00026841	8/1/00	93	NQ	40,000	\$35.0000	22,500	25,000	0	15,000
00031141	4/24/01	93	NQ	40,000	\$29.3800	15,000	17,500	0	22,500
				623,499		571,624	582,249	0	41,250

[Additional columns below]

[Continued from above table, first column(s) repeated]

Number	Outstanding	Exercisable
M02128	0	0
M02129	0	0
M02130	0	0
012338	0	0
015080	0	0
016039	0	0
017481	9,375	5,625
018282	0	0
00025693	0	0
00026841	17,500	2,500
00031141	25,000	2,500
	51,875	10,625

## Information Currently on File

Tax	Rate%	Option SDS Broker	Registration	Alternate Address
Federal	27.000			
CA-State	9.300			
Social Security	6.200			
Medicare	1.450			
CA SDI	0.900			

**AMENDMENT TO GREG J. SANTORA'S  
INTUIT INC. 1993 OPTION PLAN GRANT AGREEMENTS**

**WHEREAS**, Greg J. Santora will retire from the Company effective February 14, 2003 (the "Employment Termination Date");

**WHEREAS**, while Mr. Santora continues to provide services to the Company as a member of the Boards of Directors of Intuit Ventures Inc. and Quicken Investment Services his options, to the extent vested, shall remain exercisable through the earlier of July 31, 2004 or his earlier resignation from such Boards (the "Board Termination Date") and thereafter for such period as provided pursuant to the original terms of Mr. Santora's options;

**WHEREAS**, the Compensation Committee has authorized amendment of Mr. Santora's outstanding stock options to provide that they will cease vesting on his Employment Termination Date;

**RESOLVED**, that option numbers 017481, 00026841 and 00031141 granted to Mr. Santora on March 24, 1999, August 1, 2000 and April 24, 2001, respectively, under the Company's 1993 Equity Incentive Plan are hereby amended to provide that they shall each cease to vest on Mr. Santora's Termination Date.

The Company has signed this Amendment to Greg J. Santora's Intuit Inc. 1993 Option Plan Grant Agreements on this the 4th day of February 2003 to be effective February 14, 2003.

INTUIT INC.  
2632 Marine Way  
Mountain View, California 94043

/s/ Steve Bennett

\_\_\_\_\_  
Steve Bennett  
President and Chief Executive Officer

Greg J. Santora has agreed to this Amendment on this the 13 day of February 2003 to be effective February 14, 2003.

/s/ Greg J. Santora

\_\_\_\_\_  
Greg J. Santora

---

EXHIBIT B  
GENERAL RELEASE

This General Release of Claims ("Release") is between Intuit Inc. a Delaware corporation, hereafter referred to as "Company", and Greg J. Santora, an individual, hereafter referred to as "Releasor," in accordance with Paragraph 9 of the Separation Agreement dated December 30, 2002 (the "Separation Agreement"). Unless otherwise defined herein, the terms defined in the Separation Agreement shall have the same defined meanings in this Release.

WHEREAS, Releasor's employment with Company terminated, effective February 14, 2003.

WHEREAS, Releasor desires to compromise, finally settle, and fully release all claims in any way related to his employment which he in any capacity may have or claim to have against Company, including, but not limited to, claims in any way related to the termination of his employment; and

WHEREAS, as consideration for this Release, Company has agreed to make payments as provided in Paragraphs 5 and 6 of the Separation Agreement less the applicable withholding deductions required by law;

NOW, THEREFORE, Releasor agrees as follows:

1. In exchange for the consideration provided in this Release, the adequacy of which is hereby acknowledged, Releasor, on behalf of himself and his heirs, executors, administrators, and assigns, hereby releases and forever discharges Company and each and every subsidiary of the Company, and the agents, officers, directors, owners and employees of each of them, and the agents, officers, directors,

---

owners and employees each of them, from any and all past or present claims, demands, causes of action, obligations, attorneys' fees, and liabilities of whatever kind or nature, known or unknown (all hereinafter referred to as "claims"), which he ever had, now has, or may hereafter claim to have had, including, but not limited to, claims of race, age, gender, religious or national origin discrimination under Title VII of the Civil Rights Act of 1964, as amended; the Age Discrimination in Employment Act of 1967, as amended; the California Fair Employment and Housing Act and any other federal, state or local laws, arising out of or in any way related to Releasor's employment with Company or the termination of that employment, except for any claims under the Indemnity Agreement referred to in Paragraph 16 of the Separation Agreement. Execution of this Release by Releasor operates as a complete bar and defense against any and all claims that may be made by Releasor against Company with respect to such employment.

2. Releasor acknowledges that he is familiar with the provisions of section 1542 of the California Civil Code, which provides that:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR  
DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF  
EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE  
MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

RELEASOR, BEING AWARE OF SAID CODE SECTION, HEREBY EXPRESSLY WAIVES ANY RIGHTS HE MAY HAVE HEREUNDER, AS WELL AS UNDER ANY STATUTES OR COMMON LAW PRINCIPLES OF SIMILAR EFFECT.

3. It is understood and agreed by Releasor that the payment of consideration to which reference is made herein does not constitute an admission or

concession of liability by Company on account of any claim by Releasor.

4. If Releasor hereafter commences any action or proceeding against Company based upon any of the causes of action, claims, demands, damages and liabilities released by this Release, the Release shall be deemed breached and Company shall be entitled to recover all consideration paid as consideration for this Release as well as attorneys' fees and other costs of suit sustained by it in defending such action or proceeding and shall be indemnified by Releasor for such fees and costs. This Release may be pleaded by Company as a counterclaim or cross-claim in any such action or proceeding.

5. Releasor covenants and agrees not to disclose to any person, corporation, agency, group, or other organization, other than members of his immediate family and his personal financial and legal advisors, either directly or indirectly, any information relating to the fact of or contents of this Release, unless required by law. Releasor acknowledges that violation of this covenant would constitute a material breach of this Release.

6. Releasor affirms that he has not assigned any claims herein released and acknowledges that the terms of this Release are contractual and not a mere recital.

7. Releasor acknowledges that he may take up to twenty-one (21) days to consider this Release and that he has been advised to consult with an attorney prior to executing this Release. He further acknowledges that he may revoke his agreement within seven (7) days of his execution of this document and that the



consideration to be paid to him pursuant to Paragraphs 5 and 6 of the Separation Agreement will be paid only after the expiration of the seven (7) day revocation period.

8. Releasor hereby affirms and acknowledges that he has read this Release and fully understands and appreciates its terms and their effect and signs this Release voluntarily and with the intention of being legally bound thereby.

9. This Release shall be governed by and construed in all respects in accordance with the laws of the State of California.

10. This agreement contains all of the terms, promises and representations, and understanding between the parties, and supersedes any other oral or written agreement or understanding between the parties made prior to the date hereof regarding the release of the Company by Releasor.

IN WITNESS WHEREOF, the undersigned executes this Release freely and voluntarily intending to be legally bound by it.

Dated: 2/13/03  
\_\_\_\_\_

/s/ Greg J. Santora  
\_\_\_\_\_  
Greg J. Santora



P.O. Box 7850  
Mountain View CA 94039-7850  
<http://www.quicken.com>

December 30, 2002

Robert B. Henske

### Employment Agreement

Dear Brad:

On behalf of Intuit Inc. ("*Intuit*" or the "*Company*"), I am pleased to offer you the position of Senior Vice President, Chief Financial Officer on the terms set forth below.

1. **Position.** You will be employed by Intuit on January 3, 2003 (the "*Commencement Date*"). You will be appointed as its Senior Vice President, Chief Financial Officer, effective January 6, 2003 and continuing thereafter until termination pursuant to Section 7. You will report to the President and Chief Executive Officer of Intuit. You will be expected to devote your full working time and attention to the business of Intuit, and you will not render services to any other business without the prior approval of the Board of Directors or, directly or indirectly, engage or participate in any business that is competitive in any manner with the business of Intuit. You will also be expected to comply with and be bound by the Company's operating policies, procedures and practices that are from time to time in effect during the term of your employment.

2. **Base Salary.** Your initial base annual salary will be \$475,000, payable in accordance with Intuit's normal payroll practices with such payroll deductions and withholdings as are required by law. Your base salary will be reviewed on an annual basis and increased from time to time, but such compensation shall not be reduced below \$475,000 during your term of employment.

3. **Bonus.**

(a) You will be eligible to receive a target annual bonus of 60% of your annual base salary (the "*Target Bonus*") in accordance with an Intuit incentive compensation plan. Intuit will not prorate the Target Bonus payable to you for this fiscal year ending July 31, 2003. At the end of this fiscal year, if still employed at such time, you will be paid a Target Bonus of at least \$285,000, less payroll deductions and withholdings as are required by law.

(b) You will receive a signing bonus of \$100,000 (the "*Sign-On Bonus*"), less such payroll deductions and withholdings as are required by law, within thirty days following the Commencement Date. In the event you resign within twelve months of commencing employment at Intuit, you agree to repay a prorated portion of the Sign-On Bonus back to Intuit.

---

4. Deferred Compensation Plan Contributions.

(a) If you are employed by Intuit on the first anniversary of the Commencement Date, Intuit will make a fully vested employer contribution of \$350,000 on your behalf to the Intuit Inc. Executive Deferred Compensation Plan (the "NQDCP"). Intuit will make this contribution within thirty days following the first anniversary of the Commencement Date. You will not be entitled to this contribution if your Intuit employment terminates prior to the first anniversary of the Commencement Date.

(b) If you are employed by Intuit on the second anniversary of the Commencement Date, Intuit will make a fully vested employer contribution of \$350,000 on your behalf to the NQDCP. Intuit will make this contribution within thirty days following the second anniversary of the Commencement Date. You will not be entitled to this contribution if your Intuit employment terminates prior to the second anniversary of the Commencement Date.

(c) If you are employed by Intuit on the third anniversary of the Commencement Date, Intuit will make a fully vested employer contribution of \$350,000 on your behalf to the NQDCP. Intuit will make this contribution within thirty days following the third anniversary of the Commencement Date. You will not be entitled to this contribution if your Intuit employment terminates prior to the third anniversary of the Commencement Date.

(d) In accordance with the terms and conditions of the NQDCP, you will be able to elect to have these contributions credited with earnings pursuant to the investment alternatives offered under the NQDCP and elect when to take distribution of these contributions and any earnings credited thereon.

5. Stock Options. On the Commencement Date, the Compensation Committee of the Board of Directors shall grant you a nonqualified stock option to purchase 400,000 shares of Intuit common stock at an exercise price equal to such common stock closing price on the Commencement Date (the "*Option*"). The Option will be granted pursuant to and subject to the terms of the Intuit Inc. 2002 Equity Incentive Plan (the "2002 Plan"). For so long as you remain employed by Intuit, the Option will vest and become exercisable over a three year period as follows: 33-1/3% of the shares subject to the Option will vest and become exercisable on the first anniversary of the Commencement Date and 2.778% of the shares subject to the Option will vest and become exercisable on the same day of the month as the Commencement Date each month following the first anniversary of the Commencement Date. Notwithstanding the foregoing vesting schedule for the Option, in the event of your Termination Following a Change in Control, an Involuntary Termination or Termination without Cause and in accordance with Sections 9(b) and 9(c) below, you will have immediate acceleration of the vesting and exercisability of the Option by that portion of the shares subject to the Option that would have vested and become exercisable in the eighteen (18) full calendar months following the effective date of such termination. The Option will have a maximum term of seven years from the date of grant, but will terminate earlier in the event your employment terminates. In the event that your employment terminates, the

---

unvested portion of the Option will terminate and you will have six months following the date of your termination of employment in which to exercise the then vested portion of your Option. At the end of the six months any vested portion of the Option that you have not yet exercised will terminate. As provided in the 2002 Plan, that post-termination exercise period for the Option will be twelve months in the event your employment terminates due to your disability and eighteen months if your employment terminates due to your death. You should consult a tax advisor concerning your income tax consequences before exercising any of the options. Intuit has registered the shares issuable under options granted under the 2002 Plan on a Form S-8 registration statement and shall keep such registration statement in effect for the entire period the Option remains outstanding.

6. Other Benefits. You will be eligible for health insurance, 401(k), employee stock purchase plan and other benefits generally offered to all Intuit senior executives of similar rank and status. During your first year of employment, you will accrue four (4) weeks of vacation time.

7. Employment and Termination. Your employment with Intuit will be at-will and may be terminated at any time for any reason as follows:

(a) You may terminate your employment upon written notice to the President and Chief Executive Officer of Intuit at any time for "Good Reason," as defined below (an "*Involuntary Termination*");

(b) You may terminate your employment upon written notice to the President and Chief Executive Officer of Intuit at any time in your discretion without Good Reason ("*Voluntary Termination*");

(c) Intuit may terminate your employment upon written notice to you at any time following a determination by two-thirds (2/3) vote of the entire Board of Directors that there is "Cause," as defined below, for such termination ("*Termination for Cause*");

(d) Intuit may terminate your employment upon written notice to you at any time in the sole discretion of two-thirds (2/3) of the entire Board of Directors without a determination that there is Cause for such termination ("*Termination without Cause*");

(e) Your employment will automatically terminate upon your death or upon your disability as determined by the Board of Directors ("*Termination for Death or Total Disability*"); provided that "total disability" shall mean that for a period of one hundred eighty (180) days (A)(i) for so long as such definition is used for purposes of Intuit's group life insurance and accidental death and dismemberment plan or group or long term disability plan, that you are unable to perform each of the material duties of any gainful occupation for which you are or become reasonably fitted by training, education or experience and which total disability is in fact preventing you from engaging in any employment or occupation for wage or profit; or (ii) if such definition has changed, such other definition of "total disability" as determined under Intuit's group life insurance and accidental death and dismemberment plan or group long term disability

---

plan; and (B) Intuit shall have received from your primary care physician a certificate that your total disability is likely to be permanent.

(f) During the one year following a Change in Control, (i) if you are not a Section 16 Officer of the surviving entity or acquirer that results from any Change in Control or (2) your employment terminates other than for a Voluntary Termination or Termination for Cause (a “*Termination Following a Change in Control*”).

8. Definitions. As used in this agreement, the following terms have the following meanings:

(a) “Good Reason” means (i) a reduction in your title or a material reduction in your duties or responsibilities that is inconsistent with your position as Senior Vice President, Chief Financial Officer or a change in your relationship such that you no longer report directly to the Chief Executive Officer; (ii) any reduction in your base annual salary or target bonus opportunity (other than in connection with a general decrease in the salary or target bonuses for all officers of Intuit) without your consent or material breach by Intuit of any of its obligations hereunder after providing Intuit with written notice within seven days of such breach and an opportunity to cure; (iii) failure of any successor to assume this agreement pursuant to Section 14(d) below; or (iv) a requirement by Intuit that you relocate your principal office to a facility more than 50 miles from Intuit’s current headquarters; or (b) “Cause” means (i) gross negligence or willful misconduct in the performance of your duties to Intuit (other than as a result of a disability) that has resulted or is likely to result in substantial and material damage to Intuit, after a demand for substantial performance is delivered to you by the Chief Executive Officer which specifically identifies the manner in which you have not substantially performed your duties and you have been provided with a reasonable opportunity to cure any alleged gross negligence or willful misconduct; (ii) commission of any act of fraud with respect to Intuit; or (iii) conviction of a felony or a crime involving moral turpitude causing material harm to the business and affairs of Intuit. No act or failure to act by you shall be considered “willful” if done or omitted by you in good faith with reasonable belief that your action or omission was in the best interests of Intuit.

(c) “Change in Control” means (i) any person or entity becoming the beneficial owner, directly or indirectly, of securities of Intuit representing fifty (50%) percent of the total voting power of all its then outstanding voting securities, (ii) a merger or consolidation of Intuit in which its voting securities immediately prior to the merger or consolidation do not represent, or are not converted into securities that represent, a majority of the voting power of all voting securities of the surviving entity immediately after the merger or consolidation, (iii) a sale of substantially all of the assets of Intuit or a liquidation or dissolution of Intuit, or (iv) individuals who, as of the Commencement Date, constitute the Board of Directors (the “*Incumbent Board*”) cease for any reason to constitute at least a majority of such Board; provided that any individual who becomes a director of Intuit subsequent to the Commencement Date, whose election, or nomination for election by Intuit stockholders, was approved by the vote of at least a majority of the directors then in office shall be deemed a member of the Incumbent Board.

9. Separation Benefits. Upon termination of your employment with Intuit for any reason, you will receive payment for all unpaid salary and vacation accrued

---

to the date of your termination of employment; and your benefits will be continued under Intuit's then existing benefit plans and policies for so long as provided under the terms of such plans and policies and as required by applicable law. Under certain circumstances and conditioned upon your execution of a release and waiver of claims against the Company, its officers and directors, you will also be entitled to receive severance benefits as set forth below, but you will not be entitled to any other compensation, award or damages with respect to your employment or termination.

(a) In the event of your Voluntary Termination or Termination for Cause, you will not be entitled to any severance benefits.

(b) In the event of your Involuntary Termination or Termination without Cause, conditioned upon your execution of a release and waiver of claims against the Company, its officers and directors in a form acceptable to the Company, you will be entitled to (i) a single lump sum severance payment equal to eighteen (18) months of your current annual base salary and one and one-half times your Target Bonus for the then current fiscal year (less applicable deductions and withholdings) payable within 30 days after the effective date of your termination; and (ii) immediate acceleration of the vesting and exercisability of the Option by that portion of the shares subject to the Option that would have vested and become exercisable in the eighteen (18) full calendar months following the effective date of such termination.

(c) In the event of your Termination Following a Change in Control, conditioned upon your execution of a release and waiver of claims against the Company, its officers and directors in a form acceptable to the Company, you will be entitled to (i) a single lump sum severance payment equal to eighteen (18) months of your current annual base salary and one and one-half times your Target Bonus for the then current fiscal year (less applicable deductions and withholdings) payable within thirty (30) days after the effective date of your termination; and (ii) immediate acceleration of the vesting and exercisability of the Option by that portion of the shares subject to the Option that would have vested and become exercisable in the eighteen (18) full calendar months following the effective date of such termination.

(d) If your severance benefits provided for in this Section 9 constitute "parachute payments" within the meaning of Section 280G of the Code and, but for this subsection, would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code, then your severance benefits under this Section 9 will be payable, at your election, either in full or in such lesser amount as would result, after taking into account the applicable federal, state and local income taxes and the excise tax imposed by Section 4999, in your receipt on an after-tax basis of the greatest amount of severance and other benefits.

(e) No payments due you hereunder shall be subject to mitigation or offset.

10. Indemnification Agreement. Effective January 6, 2003, Intuit will enter into its standard form of indemnification agreement for officers and directors, a copy of

---

which will be attached to this letter as Exhibit A, to indemnify you against certain liabilities you may incur as an officer or director of Intuit.

11. Confidential Information and Invention Assignment Agreement. Upon your commencement of employment with Intuit, you will be required to sign its standard form of Employee Agreement, a copy of which will be attached to this letter as Exhibit B, to protect Intuit's confidential information and intellectual property.

12. Nonsolicitation. During the term of your employment with Intuit and for one year thereafter, you will not, on behalf of yourself or any third party, solicit or attempt to induce any employee of Intuit to terminate his or her employment with Intuit.

13. Arbitration. The parties agree that any dispute regarding the interpretation or enforcement of this agreement shall be decided by confidential, final and binding arbitration conducted by Judicial Arbitration and Mediation Services ("JAMS") under the then existing JAMS rules rather than by litigation in court, trial by jury, administrative proceeding or in any other forum.

14. Miscellaneous.

(a) Authority to Enter into Agreement. Intuit represents that its President and Chief Executive Officer has due authority to execute and deliver this agreement on behalf of Intuit.

(b) Absence of Conflicts. You represent that on the Commencement Date your performance of your duties under this agreement will not breach any other agreement as to which you are a party.

(c) Attorneys Fees. If a legal action or other proceeding is brought for enforcement of this agreement because of an alleged dispute, breach, default, or misrepresentation in connection with any of the provisions of this agreement, the successful or prevailing party shall be entitled to recover reasonable attorneys' fees and costs incurred, both before and after judgment, in addition to any other relief to which they may be entitled.

(d) Successors. This agreement is binding on and may be enforced by Intuit and its successors and assigns and is binding on and may be enforced by you and your heirs and legal representatives. Any successor to Intuit or substantially all of its business (whether by purchase, merger, consolidation or otherwise) will in advance assume in writing and be bound by all of Intuit's obligations under this agreement.

(e) Notices. Notices under this agreement must be in writing and will be deemed to have been given when personally delivered or two days after mailed by U.S. registered or certified mail, return receipt requested and postage prepaid. Mailed notices to you will be addressed to you at the home address which you have most recently communicated to Intuit in writing, with a copy to legal counsel you designate. Notices to Intuit will be addressed to its General Counsel at Intuit's corporate headquarters.

---

(f) Waiver. No provision of this agreement will be modified or waived except in writing signed by you and an officer of Intuit duly authorized by its Board of Directors. No waiver by either party of any breach of this agreement by the other party will be considered a waiver of any other breach of this agreement.

(g) Entire Agreement. This agreement, including the attached exhibits, represents the entire agreement between us concerning the subject matter of your employment by Intuit.

(h) Governing Law. This agreement will be governed by the laws of the State of California without reference to conflict of laws provisions.

Brad, we are very pleased to extend this offer of employment to you and look forward to your joining Intuit. Please indicate your acceptance of the terms of this agreement by signing in the place indicated below.

Very truly yours,

/s/ Steve Bennett

---

Steve Bennett  
President and Chief Executive Officer,  
Intuit Inc.

Accepted December 30, 2002:

/s/ Robert B. Henske

---

Robert "Brad" Henske



## INTUIT INC.

## 1996 DIRECTORS STOCK OPTION PLAN

As Adopted by the Board on October 7, 1996  
and Approved by Stockholders on November 25, 1996  
As Amended by the Board on October 9, 2002  
And Approved By Stockholders on December 12, 2002  
As Amended by the Board on January 30, 2003

- 1. Purpose.** This 1996 Directors Stock Option Plan (this “Plan”) is established to provide equity incentives for non-employee members of the Board of Directors of Intuit Inc. (the “Company”), who are described in Section 6.1 below, by granting such persons options to purchase shares of stock of the Company.
  - 2. Adoption and Stockholder Approval.** This Plan became effective on October 7, 1996, (the “Effective Date”), the date on which it was adopted by the Board of Directors of the Company (the “Board”) and was approved by the stockholders of the Company, consistent with applicable laws on November 25, 1996. No stock option that is granted as a result of any increase in the number of shares authorized to be issued under this Plan shall be exercised prior to the time such increase has been approved by the stockholders of the Company and all such options granted pursuant to such increase shall terminate if such stockholder approval is not obtained.
  - 3. Types of Options and Shares.** Options granted under this Plan (“Options”) shall be non-qualified stock options. The shares of stock that may be purchased upon exercise of Options granted under this Plan are shares of the Common Stock of the Company (the “Shares”).
  - 4. Number of Shares.** The maximum number of Shares that may be issued pursuant to Options granted under this Plan (the “Maximum Number”) is 1,050,000 Shares, subject to adjustment as provided in Section 11 of this Plan. If any Option is terminated for any reason without being exercised in whole or in part, the Shares thereby released from such Option shall be available for purchase under other Options granted under this Plan. At all times during the term of this Plan, the Company shall reserve and keep available such number of Shares as shall be required to satisfy the requirements of outstanding Options granted under this Plan; provided, however, that if the aggregate number of Shares subject to outstanding Options granted under this Plan plus the aggregate number of Shares previously issued by the Company pursuant to the exercise of Options granted under this Plan equals or exceeds the Maximum Number, then notwithstanding anything herein to the contrary, no further Options may be granted under this Plan until the Maximum Number is increased or the aggregate number of Shares subject to outstanding Options granted under this Plan plus the aggregate number of Shares previously issued by the Company pursuant to the exercise of Options granted under this Plan is less than the Maximum Number.
  - 5. Administration.** This Plan shall be administered by the Board. The interpretation by the Board of any of the provisions of this Plan or any Option granted under this Plan shall be final and binding upon the Company and all persons having an interest in any Option or any Shares purchased pursuant to an Option.
-

**6. Eligibility and Award Formula.**

6.1 Eligibility. Options shall be granted only to directors of the Company who are not current or former employees of the Company or any Parent, Subsidiary or Affiliate of the Company, as those terms are defined in Section 17 below (each such person referred to as a "Non-Employee Director").

6.2 Initial Grant. Each Non-Employee Director who first becomes a member of the Board will automatically be granted an Option for 45,000 Shares (each such Option referred to as the "Initial Grant").

6.3 Succeeding Grants. On each anniversary of an Initial Grant, each Non-Employee Director will automatically be granted an Option for 15,000 Shares (each such Option referred to as a "Succeeding Grant").

6.4 Audit Committee Grants. Each Non-Employee Director who is appointed as a new member to the Audit Committee after December 12, 2002 will automatically be granted an Option for 5,000 Shares on the day he or she is appointed. On each anniversary of a Non-Employee Director's first Option grant pursuant to this Section 6.4 on which the Non-Employee Director is a member of the Audit Committee, the Non-Employee Director will automatically be granted another 5,000 Share Option (each such Option referred to as an "Audit Committee Grant").

6.5 Compensation Committee Grants. Each Non-Employee Director who is appointed as a new member to the Compensation Committee after December 12, 2002 will automatically be granted an Option for 5,000 Shares on the day he or she is appointed. On each anniversary of a Non-Employee Director's first Option grant pursuant to this Section 6.5 on which the Non-Employee Director is a member of the Compensation Committee, the Non-Employee Director will automatically be granted another 5,000 Share Option (each such Option referred to as a "Compensation Committee Grant").

6.6 Nominating & Governance Committee Grants. On December 12, 2002, each Non-Employee Director who is a member of the Nominating & Governance Committee will automatically be granted an Option for 5,000 Shares. Each Non-Employee Director who is appointed as a new member to the Nominating & Governance Committee after December 12, 2002 will automatically be granted an Option for 5,000 Shares on the day he or she is appointed. On each anniversary of a Non-Employee Director's first Option grant pursuant to this Section 6.6 on which the Non-Employee Director is a member of the Nominating & Governance Committee, the Non-Employee Director will automatically be granted another 5,000 Share Option (each such Option referred to as a "Nominating & Governance Committee Grant").

**7. Terms and Conditions of Options.** Subject to the following and to Section 6 above:

7.1 Form of Option Grant. Each Option granted under this Plan shall be evidenced by a written Stock Option Grant ("Grant") in such form (which need not be the same for each Non-Employee Director) as the Board or its delegates shall from time to time approve, which Grant shall comply with and be subject to the terms and conditions of this Plan.

## 7.2 Vesting.

(a) Options granted prior to February 19, 1999 shall become exercisable as they vest according to the following vesting schedule: each Initial Grant and Succeeding Grant will vest as to twenty-five percent (25%) of the Shares upon the first anniversary of the date such Option is granted and an additional 2.0833% of the Shares each month thereafter, so long as the Non-Employee Director continuously remains a director or a consultant of the Company.

(b) Options granted under this Plan on or after February 19, 1999 but prior to November 30, 1999 shall be fully vested and exercisable on the date of grant.

(c) Initial Grants and Succeeding Grants granted on or after November 30, 1999 shall become exercisable as they vest according to the following vesting schedule: (i) each Initial Grant will vest as to 25% of the Shares upon the first anniversary of the date such Option is granted and an additional 2.0833% of the Shares each month thereafter and become fully vested on the fourth anniversary of the date of grant, so long as the Non-Employee Director continuously remains a director or a consultant of the Company, (ii) each Succeeding Grant will vest as to 50% of the Shares upon the first anniversary of the date such Option is granted and an additional 4.1666% of the Shares each month thereafter and become fully vested on the second anniversary of the date of grant, so long as the Non-Employee Director continuously remains a director or a consultant of the Company.

(d) Each Audit Committee Grant, each Compensation Committee Grant and each Nominating & Governance Committee Grant shall become exercisable as it vests as to 8.333% of the Shares each month following the date of grant and become fully vested on the first anniversary of the date of grant, so long as the Non-Employee Director continuously remains a director or a consultant of the Company.

(e) Any Option granted to a Non-Employee Director will vest as to 100% of the Shares subject to such Option, if the Non-Employee Director ceases to be a member of the Board or a consultant of the Company due to "total disability" or death (or his or her death occurs within three months of the Termination Date). For purposes of this Section 7.2(e), "total disability" shall mean: (A) (i) for so long as such definition is used for purposes of the Company's group life insurance and accidental death and dismemberment plan or group long term disability plan, that the Non-Employee Director is unable to perform each of the material duties of any gainful occupation for which the Non-Employee Director is or becomes reasonably fitted by training, education or experience and which total disability is in fact preventing the Non-Employee Director from engaging in any employment or occupation for wage or profit; or, (ii) if such definition has changed, such other definition of "total disability" as determined under the Company's group life insurance and accidental death and dismemberment plan or group long term disability plan; and (B) the Company shall have received from the Non-Employee Director's primary physician a certification that the Non-Employee Director's total disability is likely to be permanent.

7.3 Exercise Price. The exercise price of an Option shall be the Fair Market Value (as defined in Section 17.4) of the Shares at the time that the Option is granted.

7.4 Termination of Option. Except as provided below in this Section, each Option shall expire ten (10) years after its date of grant (the "Expiration Date"). The Option shall expire when the Non-Employee Director ceases to be a member of the Board or a consultant of the Company. The date on which the Non-Employee Director ceases to be a member of the Board or a consultant of the

Company shall be referred to as the "Termination Date." An Option may be exercised after the Termination Date only as set forth below:

(a) Termination Generally. If the Non-Employee Director ceases to be a member of the Board or consultant of the Company for any reason except death or disability, then each Option to the extent then vested (as determined by Section 7.2 of this Plan) then held by such Non-Employee Director may be exercised by the Non-Employee Director within seven (7) months after the Termination Date, but in no event later than the Expiration Date.

(b) Death or Disability. If the Non-Employee Director ceases to be a member of the Board or consultant of the Company because of the death of the Non-Employee Director or the disability of the Non-Employee Director within the meaning of Section 22(e)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), then each Option to the extent then vested (as determined by Section 7.2 of this Plan) then held by such Non-Employee Director may be exercised by the Non-Employee Director (or the Non-Employee Director's legal representative) within twelve (12) months after the Termination Date, but in no event later than the Expiration Date.

(c) Modification of Outstanding Options. The Exercise Price of an outstanding Option may not be reduced without stockholder approval.

## **8. Exercise of Options.**

8.1 Exercise Period. Subject to the provisions of Section 8.5 below, Options granted on or after February 19, 1999 but prior to November 30, 1999 shall be fully vested and exercisable on the date of grant. Options granted prior to February 19, 1999 and Options granted on or after November 30, 1999 shall be exercisable as they vest.

8.2 Notice. Options may be exercised only by delivery to the Company of an exercise agreement in a form approved by the Board or its delegates stating the number of Shares being purchased, the restrictions imposed on the Shares and such representations and agreements regarding the Non-Employee Director's investment intent and access to information as may be required by the Company to comply with applicable securities laws, together with payment in full of the exercise price for the number of Shares being purchased.

8.3 Payment. Payment for the Shares purchased upon exercise of an Option may be made (a) in cash or by check; (b) by surrender of shares of Common Stock of the Company that have been owned by the Non-Employee Director for more than six (6) months (and which have been paid for within the meaning of Securities and Exchange Commission ("SEC") Rule 144 or were obtained by the Non-Employee Director in the open public market) having a Fair Market Value equal to the exercise price of the Option; (c) by waiver of compensation due or accrued to the Non-Employee Director for services rendered; (d) provided that a public market for the Company's stock exists, through a "same day sale" commitment from the Non-Employee Director and a broker-dealer that is a member of the National Association of Securities Dealers (an "NASD Dealer") whereby the NASD Dealer irrevocably commits to forward the exercise price directly to the Company before the Company issues the Shares; (e) provided that a public market for the Company's stock exists, through a "margin" commitment from the Non-Employee Director and an NASD Dealer whereby the NASD Dealer irrevocably commits to forward the exercise price directly to the Company before the Company issues the Shares; or (f) by any combination of the foregoing.

8.4 Withholding Taxes. Prior to issuance of the Shares upon exercise of an Option, the Non-Employee Director shall pay or make adequate provision for any federal or state withholding obligations of the Company, if applicable.

8.5 Limitations on Exercise. Notwithstanding the exercise periods set forth in the Grant, exercise of an Option shall always be subject to the following limitations:

(a) An Option shall not be exercisable until such time as this Plan (or, in the case of Options granted pursuant to an amendment increasing the number of shares that may be issued pursuant to this Plan, such amendment) has been approved by the stockholders of the Company in accordance with Section 15 below.

(b) An Option shall not be exercisable unless such exercise is in compliance with the Securities Act of 1933, as amended (the "Securities Act") and all applicable state securities laws, as they are in effect on the date of exercise.

(c) The Board may specify a reasonable minimum number of Shares that may be purchased upon any exercise of an Option, provided that such minimum number will not prevent the Non-Employee Director from exercising the full number of Shares as to which the Option is then exercisable.

**9. Nontransferability of Options.** During the lifetime of the Non-Employee Director, an Option shall be exercisable only by the Non-Employee Director or by the Non-Employee Director's guardian or legal representative, unless otherwise permitted by the Board. No Option may be sold, pledged, assigned, hypothecated, transferred or disposed of in any manner other than by will or by the laws of descent and distribution.

**10. Privileges of Stock Ownership.** No Non-Employee Director shall have any of the rights of a stockholder with respect to any Shares subject to an Option until the Option has been validly exercised. No adjustment shall be made for dividends or distributions or other rights for which the record date is prior to the date of exercise, except as provided in this Plan. The Company shall provide to each Non-Employee Director a copy of the annual financial statements of the Company, at such time after the close of each fiscal year of the Company as they are released by the Company to its stockholders.

**11. Adjustment of Option Shares.** In the event that the number of outstanding shares of Common Stock of the Company is changed by a stock dividend, stock split, reverse stock split, combination, reclassification or similar change in the capital structure of the Company without consideration, the number of Shares available under this Plan and the number of Shares subject to outstanding Options and the exercise price per share of such outstanding Options shall be proportionately adjusted, subject to any required action by the Board or stockholders of the Company and compliance with applicable securities laws; provided, however, that no fractional shares shall be issued upon exercise of any Option and any resulting fractions of a Share shall be rounded up to the nearest whole Share.

**12. No Obligation to Continue as Director.** Nothing in this Plan or any Option granted under this Plan shall confer on any Non-Employee Director any right to continue as a director of the Company.

**13. Compliance With Laws.** The grant of Options and the issuance of Shares upon exercise of any Options shall be subject to and conditioned upon compliance with all applicable requirements of law, including without limitation compliance with the Securities Act, compliance with all other applicable state securities laws and compliance with the requirements of any stock exchange or national market system on which the Shares may be listed. The Company shall be under no obligation to register the Shares with the SEC or to effect compliance with the registration or qualification requirement of any state securities laws, stock exchange or national market system.

**14. Acceleration of Options Upon Certain Corporate Transactions.** In the event of (a) a dissolution or liquidation of the Company, (b) a merger or consolidation in which the Company is not the surviving corporation (other than a merger or consolidation with a wholly-owned subsidiary, a reincorporation of the Company in a different jurisdiction, or other transaction in which there is no substantial change in the stockholders of the Company or their relative stock holdings and the Options granted under this Plan are assumed or replaced by the successor corporation, which assumption will be binding on all Non-Employee Directors), (c) a merger in which the Company is the surviving corporation but after which the stockholders of the Company (other than any stockholder which merges (or which owns or controls another corporation which merges) with the Company in such merger) own less than 50% of the shares or other equity interests in the Company, (d) the sale of substantially all of the assets of the Company, or (e) the acquisition, sale or transfer of a majority of the outstanding shares of the Company by tender offer or similar transaction, the vesting of all Options granted pursuant to this Plan will accelerate and the Options will become exercisable in full prior to the consummation of such event at such times and on such conditions as the Board determines, and if such Options are not exercised prior to the consummation of the corporate transaction, they shall terminate in accordance with the provisions of this Plan.

**15. Amendment or Termination of Plan.** The Board may at any time terminate or amend this Plan (but may not terminate or amend the terms of any outstanding option without the consent of the Non-Employee Director); provided, however, that the Board shall not, without the approval of the stockholders of the Company, increase the total number of Shares available under this Plan (except by operation of the provisions of Sections 4 and 11 above) or broaden the class of persons eligible to receive Options. In any case, no amendment of this Plan may adversely affect any then outstanding Options or any unexercised portions thereof without the written consent of the Non-Employee Director.

**16. Term of Plan.** Options may be granted pursuant to this Plan from time to time within a period of ten (10) years from the Effective Date.

**17. Certain Definitions.** As used in this Plan, the following terms shall have the following meanings:

17.1 "Parent" means any corporation (other than the Company) in an unbroken chain of corporations ending with the Company if each of such corporations other than the Company owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

17.2 "Subsidiary" means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

17.3 "Affiliate" means any corporation that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, another corporation, where "control" (including the terms "controlled by" and "under common control with") means the possession, direct or indirect, of the power to cause the direction of the management and policies of the corporation, whether through the ownership of voting securities, by contract or otherwise.

17.4 "Fair Market Value" means, as of any date, the value of a share of the Company's Common Stock determined as follows:

- (a) if such Common Stock is then quoted on the Nasdaq National Market, its last reported sale price on the Nasdaq National Market or, if no such reported sale takes place on such date, the average of the closing bid and asked prices;
- (b) if such Common Stock is publicly traded and is then listed on a national securities exchange, its last reported sale price or, if no such reported sale takes place on such date, the average of the closing bid and asked prices on the principal national securities exchange on which the Common Stock is listed or admitted to trading;
- (c) if such Common Stock is publicly traded but is not quoted on the Nasdaq National Market nor listed or admitted to trading on a national securities exchange, the average of the closing bid and asked prices on such date, as reported in *The Wall Street Journal*, for the over-the-counter market; or
- (d) if none of the foregoing is applicable, by the Board in good faith.

Grant No. \_\_\_\_\_

INTUIT INC.

1996 DIRECTORS STOCK OPTION PLAN

DIRECTORS NONQUALIFIED INITIAL STOCK OPTION GRANT

This Stock Option Grant (this "**Grant**") is made and entered into as of the date of grant set forth below (the "**Date of Grant**") by and between Intuit Inc., a Delaware corporation (the "**Company**"), and the Optionee named below ("**Optionee**").

Optionee: \_\_\_\_\_  
Optionee's Address: \_\_\_\_\_  
Total Shares Subject to Option: 45,000  
Exercise Price Per Share: \_\_\_\_\_  
Date of Grant: \_\_\_\_\_  
Expiration Date: \_\_\_\_\_

**1. Grant of Option.** The Company hereby grants to Optionee an option (this "**Option**") to purchase up to the total number of shares of Common Stock of the Company set forth above (collectively, the "**Shares**") at the exercise price per share set forth above (the "**Exercise Price**"), subject to all of the terms and conditions of this Grant and the Company's 1996 Directors Stock Option Plan, as amended by the Board on January 30, 2003 (the "**Plan**"). Unless otherwise defined herein, capitalized terms used herein shall have the meanings ascribed to them in the Plan.

**2. Exercise and Vesting of Option.** This Option shall vest as to 25% of the Shares upon the first anniversary of the Date of Grant and an additional 2.0833% of the Shares each month thereafter, so long as the Optionee continuously remains a member of the Board of Directors (a "**Board Member**") or a consultant of the Company.

**3. Restriction on Exercise.** This Option may not be exercised unless such exercise is in compliance with the Securities Act, and all applicable state securities laws, as they are in effect on the date of exercise, and the requirements of any stock exchange or national market system on which the Company's Common Stock may be listed at the time of exercise. Optionee understands that the Company is under no obligation to register, qualify or list the Shares with the SEC, any state securities commission or any stock exchange or national market system to effect such compliance.

---



**4. Termination of Option.** Except as provided below in this Section, this Option shall terminate and may not be exercised if Optionee ceases to be a Board Member or consultant of the Company. The date on which Optionee ceases to be a Board Member or consultant of the Company shall be referred to as the **“Termination Date.”**

4.1 Termination Generally. If Optionee ceases to be a Board Member or consultant of the Company for any reason except death or disability, within the meaning of Section 22(e)(3) of the Code, then this Option, to the extent (and only to the extent) that it would have been exercisable by Optionee on the Termination Date, may be exercised by Optionee within seven months after the Termination Date, but in no event later than the Expiration Date.

4.2 Death or Disability. If Optionee ceases to be a Board Member or consultant of the Company because of the death of Optionee or the disability of Optionee within the meaning of Section 22(e)(3) of the Code, then this Option, to the extent (and only to the extent) that it would have been exercisable by Optionee on the Termination Date, may be exercised by Optionee (or Optionee’s legal representative) within 12 months after the Termination Date, but in no event later than the Expiration Date.

**5. Manner of Exercise.**

5.1 Exercise Agreement. This Option shall be exercisable by delivery to the Company of an executed written Directors Stock Option Exercise Agreement in the form attached hereto as Exhibit A, or in such other form as may be approved by the Committee, which shall set forth Optionee’s election to exercise some or all of this Option, the number of shares being purchased, any restrictions imposed on the Shares and such other representations and agreements as may be required by the Company to comply with applicable securities laws.

5.2 Payment. Payment for the Shares purchased upon exercise of this Option may be made (a) in cash or by check; (b) by surrender of shares of Common Stock of the Company owned by the Optionee for more than six (6) months (and which have been paid for within the meaning of Securities and Exchange Commission Rule 144 or were obtained by the Optionee in the open public market) that have a Fair Market Value equal to the Exercise Price of the Option; (c) by waiver of compensation due or accrued to Optionee for services rendered; (d) provided that a public market for the Company’s stock exists, through a “same day sale” commitment from the Optionee and a broker-dealer that is a member of the National Association of Securities Dealers (an **“NASD Dealer”**) whereby the NASD Dealer irrevocably commits to forward the Exercise Price directly to the Company before the Company issues the Shares; (e) provided that a public market for the Company’s stock exists, through a “margin” commitment from the Optionee and a NASD Dealer whereby the NASD Dealer irrevocably commits to forward the Exercise Price directly to the Company before the Company issues the shares; or (f) by any combination of the foregoing.

5.3 Withholding Taxes. Prior to the issuance of the Shares upon exercise of this Option, Optionee shall pay or make adequate provision for any applicable federal or state withholding obligations of the Company.

---

5.4 Issuance of Shares. Provided that such notice and payment are in form and substance satisfactory to counsel for the Company, the Company shall cause the Shares to be issued in the name of Optionee or Optionee's legal representative.

**6. Nontransferability of Option.** During the lifetime of the Optionee, this Option shall be exercisable only by Optionee or by Optionee's guardian or legal representative, unless otherwise permitted by the Committee. This Option may not be sold, pledged, assigned, hypothecated, transferred or disposed of in any manner other than by will or by the laws of descent and distribution.

**7. Interpretation.** Any dispute regarding the interpretation of this Grant shall be submitted by Optionee or the Company to the Committee that administers the Plan, which shall review such dispute at its next regular meeting. The resolution of such a dispute by the Committee shall be final and binding on the Company and on Optionee. Nothing in the Plan or this Grant shall confer on Optionee any right to continue as a Board Member.

**8. Entire Agreement.** The Plan and the Directors Stock Option Exercise Agreement in the form attached hereto as Exhibit A, and the terms and conditions thereof, are incorporated herein by reference. This Grant, the Plan and the Directors Stock Option Exercise Agreement constitute the entire agreement and understanding of the parties hereto with respect to the subject matter hereof and supersede all prior understandings and agreements with respect to such subject matter.

**INTUIT INC.**

By: \_\_\_\_\_

Name (Typed or Printed): \_\_\_\_\_

Title: \_\_\_\_\_

---

**ACCEPTANCE OF STOCK OPTION GRANT**

Optionee hereby acknowledges receipt of a copy of the Plan, represents that Optionee has read and understands the terms and provisions thereof, and accepts this Option subject to all the terms and conditions of the Plan and this Grant. Optionee acknowledges that there may be adverse tax consequences upon exercise of this Option or disposition of the Shares and that Optionee has been advised by the Company that Optionee should consult a qualified tax advisor prior to such exercise or disposition.

\_\_\_\_\_  
\_\_\_\_\_, Optionee

**[Acceptance Signature Page to Directors Nonqualified Initial Stock Option Grant]**

---

Exhibit A

INTUIT INC.  
1996 DIRECTORS STOCK OPTION PLAN  
DIRECTORS STOCK OPTION EXERCISE AGREEMENT

I hereby elect to purchase the number of shares of Common Stock of INTUIT INC. (the "*Company*") as set forth below:

Optionee:  
Social Security Number:  
Address:

Number of Shares Purchased:  
Purchase Price per Share:  
Aggregate Purchase Price:  
Date of Stock Option Grant:

Type of Stock Option: Nonqualified Stock Option

**1. Delivery of Purchase Price.** Optionee hereby delivers to the Company the Aggregate Purchase Price, to the extent permitted in the Directors Nonqualified Stock Option Grant referred to above (the "*Grant*") as follows (check as applicable and complete):

- in cash or by check in the amount of \$ \_\_\_, receipt of which is acknowledged by the Company;
- by delivery of \_\_\_ fully-paid, nonassessable and vested shares of the Common Stock of the Company owned by Optionee for at least six months prior to the date hereof (and which have been paid for within the meaning of SEC Rule 144), or obtained by Optionee in the open public market, and owned free and clear of all liens, claims, encumbrances or security interests, valued at the current Fair Market Value of \$ \_\_\_\_\_ per share;
- by the waiver hereby of compensation due or accrued to Optionee for services rendered in the amount of \$ \_\_\_;
- through a "same-day-sale" commitment, delivered herewith, from Optionee and the NASD Dealer named therein, in the amount of \$ \_\_\_; or
- through a "margin" commitment, delivered herewith from Optionee and the NASD Dealer named therein, in the amount of \$ \_\_\_.

**2. Market Standoff Agreement.** Optionee, if requested by the Company and an underwriter of Common Stock (or other securities) of the Company, agrees not to sell or otherwise transfer or dispose of any Common Stock (or other securities) of the Company held by Optionee during the period requested by the managing underwriter following the effective date of a registration statement of the Company filed under the Securities Act, provided that all officers and directors of the Company are required to enter into similar agreements. Such agreement shall be in writing in a form satisfactory to the Company and such underwriter. The

---

Company may impose stop-transfer instructions with respect to the shares (or other securities) subject to the foregoing restriction until the end of such period.

**3. Tax Consequences.** *OPTIONEE UNDERSTANDS THAT OPTIONEE MAY SUFFER ADVERSE TAX CONSEQUENCES AS A RESULT OF OPTIONEE'S PURCHASE OR DISPOSITION OF THE SHARES. OPTIONEE REPRESENTS THAT OPTIONEE HAS CONSULTED WITH ANY TAX CONSULTANT(S) OPTIONEE DEEMS ADVISABLE IN CONNECTION WITH THE PURCHASE OR DISPOSITION OF THE SHARES AND THAT OPTIONEE IS NOT RELYING ON THE COMPANY FOR ANY TAX ADVICE.*

**4. Entire Agreement.** The Plan and the Grant are incorporated herein by reference. This Agreement, the Plan and the Grant constitute the entire agreement of the parties and supersede in their entirety all prior understandings and agreements of the Company and Optionee with respect to the subject matter hereof, and are governed by California law except for that body of law pertaining to conflict of laws.

Date: \_\_\_\_\_  
\_\_\_\_\_ **Signature of Optionee**

The Company hereby verifies receipt and acceptance of this Agreement and its agreement to issue the Shares referred to above, subject to its receipt of the Aggregate Purchase Price, and taxes due, if any.

**INTUIT INC.**

Date: \_\_\_\_\_ By: \_\_\_\_\_  
\_\_\_\_\_  
Name (Typed or Printed)  
\_\_\_\_\_  
Title

---

Grant No. \_\_\_\_\_

INTUIT INC.

1996 DIRECTORS STOCK OPTION PLAN

DIRECTORS NONQUALIFIED SUCCEEDING STOCK OPTION GRANT

This Stock Option Grant (this "**Grant**") is made and entered into as of the date of grant set forth below (the "**Date of Grant**") by and between Intuit Inc., a Delaware corporation (the "**Company**"), and the Optionee named below ("**Optionee**").

Optionee: \_\_\_\_\_  
Optionee's Address: \_\_\_\_\_  
Total Shares Subject to Option: \_\_\_\_\_  
Exercise Price Per Share: \_\_\_\_\_  
Date of Grant: \_\_\_\_\_  
Expiration Date: \_\_\_\_\_

1. **Grant of Option.** The Company hereby grants to Optionee an option (this "**Option**") to purchase up to the total number of shares of Common Stock of the Company set forth above (collectively, the "**Shares**") at the exercise price per share set forth above (the "**Exercise Price**"), subject to all of the terms and conditions of this Grant and the Company's 1996 Directors Stock Option Plan, as amended by the Board on January 30, 2003 (the "**Plan**"). Unless otherwise defined herein, capitalized terms used herein shall have the meanings ascribed to them in the Plan.

2. **Exercise and Vesting of Option.** This Option shall vest as to 50% of the Shares upon the first anniversary of the Date of Grant and an additional 4.1666% of the Shares each month thereafter, so long as the Optionee continuously remains a director or a consultant of the Company, subject to the other terms and conditions of the Plan and this Grant.

3. **Restriction on Exercise.** This Option may not be exercised unless such exercise is in compliance with the Securities Act, and all applicable state securities laws, as they are in effect on the date of exercise, and the requirements of any stock exchange or national market system on which the Company's Common Stock may be listed at the time of exercise. Optionee understands that the Company is under no obligation to register, qualify or list the Shares with the SEC, any state securities commission or any stock exchange or national market system to effect such compliance.

---

**4. Termination of Option.** Except as provided below in this Section, this Option shall terminate and may not be exercised if Optionee ceases to be a Board member or consultant of the Company. The date on which Optionee ceases to be a Board member or consultant of the Company shall be referred to as the **“Termination Date.”**

4.1 Termination Generally. If Optionee ceases to be a Board member or consultant of the Company for any reason except death or disability within the meaning of Section 22(e)(3) of the Code, then this Option, to the extent (and only to the extent) that it would have been exercisable by Optionee on the Termination Date, may be exercised by Optionee within seven months after the Termination Date, but in no event later than the Expiration Date.

4.2 Death or Disability. If Optionee ceases to be a Board member or consultant of the Company because of the death of Optionee or the disability of Optionee within the meaning of Section 22(e)(3) of the Code, then this Option, to the extent (and only to the extent) that it would have been exercisable by Optionee on the Termination Date, may be exercised by Optionee (or Optionee’s legal representative) within 12 months after the Termination Date, but in no event later than the Expiration Date.

**5. Manner of Exercise.**

5.1 Exercise Agreement. This Option shall be exercisable by delivery to the Company of an executed written Directors Stock Option Exercise Agreement in the form attached hereto as Exhibit A, or in such other form as may be approved by the Committee, which shall set forth Optionee’s election to exercise some or all of this Option, the number of shares being purchased, any restrictions imposed on the Shares and such other representations and agreements as may be required by the Company to comply with applicable securities laws.

5.2 Payment. Payment for the Shares purchased upon exercise of this Option may be made (a) in cash or by check; (b) by surrender of shares of Common Stock of the Company that have been owned by the Optionee for more than six (6) months (and which have been paid for within the meaning of Securities and Exchange Commission Rule 144 or were obtained by the Optionee in the open public market) that have a Fair Market Value equal to the Exercise Price of the Option; (c) by waiver of compensation due or accrued to Optionee for services rendered; (d) provided that a public market for the Company’s stock exists, through a “same day sale” commitment from the Optionee and a broker-dealer that is a member of the National Association of Securities Dealers (an **“NASD Dealer”**) whereby the NASD Dealer irrevocably commits to forward the Exercise Price directly to the Company before the Company issues the Shares; (e) provided that a public market for the Company’s stock exists, through a “margin” commitment from the Optionee and a NASD Dealer whereby the NASD Dealer irrevocably commits to forward the Exercise Price directly to the Company before the Company issues the Shares; or (f) by any combination of the foregoing.

5.3 Withholding Taxes. Prior to the issuance of the Shares upon exercise of this Option, Optionee shall pay or make adequate provision for any applicable federal or state withholding obligations of the Company.

5.4 Issuance of Shares. Provided that such notice and payment are in form and substance satisfactory to counsel for the Company, the Company shall cause the Shares to be issued in the name of Optionee or Optionee's legal representative.

**6. Nontransferability of Option.** During the lifetime of the Optionee, this Option shall be exercisable only by Optionee or by Optionee's guardian or legal representative, unless otherwise permitted by the Committee. This Option may not be sold, pledged, assigned, hypothecated, transferred or disposed of in any manner other than by will or by the laws of descent and distribution.

**7. Interpretation.** Any dispute regarding the interpretation of this Grant shall be submitted by Optionee or the Company to the Committee that administers the Plan, which shall review such dispute at its next regular meeting. The resolution of such a dispute by the Committee shall be final and binding on the Company and on Optionee. Nothing in the Plan or this Grant shall confer on Optionee any right to continue as a Board member.

**8. Entire Agreement.** The Plan and the Directors Stock Option Exercise Agreement in the form attached hereto as Exhibit A, and the terms and conditions thereof, are incorporated herein by reference. This Grant, the Plan and the Directors Stock Option Exercise Agreement constitute the entire agreement and understanding of the parties hereto with respect to the subject matter hereof and supersede all prior understandings and agreements with respect to such subject matter.

**INTUIT INC.**

By: \_\_\_\_\_

Name (Typed or Printed): \_\_\_\_\_

Title: \_\_\_\_\_



**ACCEPTANCE OF STOCK OPTION GRANT**

Optionee hereby acknowledges receipt of a copy of the Plan, represents that Optionee has read and understands the terms and provisions thereof, and accepts this Option subject to all the terms and conditions of the Plan and this Grant. Optionee acknowledges that there may be adverse tax consequences upon exercise of this Option or disposition of the Shares and that Optionee has been advised by the Company that Optionee should consult a qualified tax advisor prior to such exercise or disposition.

---

, Optionee

Exhibit A

INTUIT INC.  
1996 DIRECTORS STOCK OPTION PLAN  
DIRECTORS STOCK OPTION EXERCISE AGREEMENT

I hereby elect to purchase the number of shares of Common Stock of INTUIT INC. (the "*Company*") as set forth below:

Optionee:  
Social Security Number:  
Address:

Number of Shares Purchased:  
Purchase Price per Share:  
Aggregate Purchase Price:  
Date of Stock Option Grant:

Type of Stock Option: Nonqualified Stock Option

**1. Delivery of Purchase Price.** Optionee hereby delivers to the Company the Aggregate Purchase Price, to the extent permitted in the Directors Nonqualified Stock Option Grant referred to above (the "*Grant*") as follows (check as applicable and complete):

- in cash or by check in the amount of \$ \_\_\_\_\_, receipt of which is acknowledged by the Company;
- by delivery of \_\_\_\_\_ fully-paid, nonassessable and vested shares of the Common Stock of the Company owned by Optionee for at least six (6) months prior to the date hereof (and which have been paid for within the meaning of SEC Rule 144), or obtained by Optionee in the open public market, and owned free and clear of all liens, claims, encumbrances or security interests, valued at the current Fair Market Value of \$ \_\_\_\_\_ per share;
- by the waiver hereby of compensation due or accrued to Optionee for services rendered in the amount of \$ \_\_\_\_\_;
- through a "same-day-sale" commitment, delivered herewith, from Optionee and the NASD Dealer named therein, in the amount of \$ \_\_\_\_\_; or
- through a "margin" commitment, delivered herewith from Optionee and the NASD Dealer named therein, in the amount of \$ \_\_\_\_\_.

**2. Market Standoff Agreement.** Optionee, if requested by the Company and an underwriter of Common Stock (or other securities) of the Company, agrees not to sell or otherwise transfer or dispose of any Common Stock (or other securities) of the Company held by Optionee during the period requested by the managing underwriter following the effective date of a registration statement of the Company filed under the Securities Act, provided that all officers and directors of the Company are required to enter into similar agreements. Such agreement shall be in writing in a form satisfactory to the Company and such underwriter. The

---

Company may impose stop-transfer instructions with respect to the shares (or other securities) subject to the foregoing restriction until the end of such period.

**3. Tax Consequences.** *OPTIONEE UNDERSTANDS THAT OPTIONEE MAY SUFFER ADVERSE TAX CONSEQUENCES AS A RESULT OF OPTIONEE'S PURCHASE OR DISPOSITION OF THE SHARES. OPTIONEE REPRESENTS THAT OPTIONEE HAS CONSULTED WITH ANY TAX CONSULTANT(S) OPTIONEE DEEMS ADVISABLE IN CONNECTION WITH THE PURCHASE OR DISPOSITION OF THE SHARES AND THAT OPTIONEE IS NOT RELYING ON THE COMPANY FOR ANY TAX ADVICE.*

**4. Entire Agreement.** The Plan and the Grant are incorporated herein by reference. This Agreement, the Plan and the Grant constitute the entire agreement of the parties and supersede in their entirety all prior understandings and agreements of the Company and Optionee with respect to the subject matter hereof, and are governed by California law except for that body of law pertaining to conflict of laws.

Date: \_\_\_\_\_  
\_\_\_\_\_ **Signature of Optionee**

The Company hereby verifies receipt and acceptance of this Agreement and its agreement to issue the Shares referred to above, subject to its receipt of the Aggregate Purchase Price, and taxes due, if any.

**INTUIT INC.**

Date: \_\_\_\_\_ By: \_\_\_\_\_  
\_\_\_\_\_  
Name (Typed or Printed)  
\_\_\_\_\_  
Title

---

Grant No. \_\_\_\_\_

INTUIT INC.

1996 DIRECTORS STOCK OPTION PLAN

DIRECTORS NONQUALIFIED COMMITTEE STOCK OPTION GRANT

This Stock Option Grant (this "**Grant**") is made and entered into as of the date of grant set forth below (the "**Date of Grant**") by and between Intuit Inc., a Delaware corporation (the "**Company**"), and the Optionee named below ("**Optionee**").

Optionee: \_\_\_\_\_

Optionee's Address: \_\_\_\_\_

Total Shares Subject to Option: \_\_\_\_\_ 5,000 \_\_\_\_\_

Exercise Price Per Share: \_\_\_\_\_

Date of Grant: \_\_\_\_\_

Expiration Date: \_\_\_\_\_

1. **Grant of Option.** The Company hereby grants to Optionee an option (this "**Option**") to purchase up to the total number of shares of Common Stock of the Company set forth above (collectively, the "**Shares**") at the exercise price per share set forth above (the "**Exercise Price**"), subject to all of the terms and conditions of this Grant and the Company's 1996 Directors Stock Option Plan, as amended by the Board on January 30, 2003 (the "**Plan**"). Unless otherwise defined herein, capitalized terms used herein shall have the meanings ascribed to them in the Plan.

2. **Exercise and Vesting of Option.** This Option shall vest and become exercisable as to 8.333% of the Shares each month following the Date of Grant and become fully vested and exercisable on the first anniversary of the Date of Grant, so long as the Optionee continuously remains a director or a consultant of the Company, subject to the other terms and conditions of the Plan and this Grant.

3. **Restriction on Exercise.** This Option may not be exercised unless such exercise is in compliance with the Securities Act, and all applicable state securities laws, as they are in effect on the date of exercise, and the requirements of any stock exchange or national market system on which the Company's Common Stock may be listed at the time of exercise. Optionee understands that the

---

Company is under no obligation to register, qualify or list the Shares with the SEC, any state securities commission or any stock exchange or national market system to effect such compliance.

**4. Termination of Option.** Except as provided below in this Section, this Option shall terminate and may not be exercised if Optionee ceases to be a Board member or consultant of the Company. The date on which Optionee ceases to be a Board member or consultant of the Company shall be referred to as the **“Termination Date.”**

4.1 Termination Generally. If Optionee ceases to be a Board member or consultant of the Company for any reason except death or disability within the meaning of Section 22(e)(3) of the Code, then this Option, to the extent (and only to the extent) that it would have been exercisable by Optionee on the Termination Date, may be exercised by Optionee within seven months after the Termination Date, but in no event later than the Expiration Date.

4.2 Death or Disability. If Optionee ceases to be a Board member or consultant of the Company because of the death of Optionee or the disability of Optionee within the meaning of Section 22(e)(3) of the Code, then this Option, to the extent (and only to the extent) that it would have been exercisable by Optionee on the Termination Date, may be exercised by Optionee (or Optionee’s legal representative) within 12 months after the Termination Date, but in no event later than the Expiration Date.

**5. Manner of Exercise.**

5.1 Exercise Agreement. This Option shall be exercisable by delivery to the Company of an executed written Directors Stock Option Exercise Agreement in the form attached hereto as Exhibit A, or in such other form as may be approved by the Committee, which shall set forth Optionee’s election to exercise some or all of this Option, the number of shares being purchased, any restrictions imposed on the Shares and such other representations and agreements as may be required by the Company to comply with applicable securities laws.

5.2 Payment. Payment for the Shares purchased upon exercise of this Option may be made (a) in cash or by check; (b) by surrender of shares of Common Stock of the Company that have been owned by Optionee for more than six months (and which have been paid for within the meaning of Securities and Exchange Commission Rule 144 or were obtained by the Optionee in the open public market) that have a Fair Market Value equal to the Exercise Price of the Option; (c) by waiver of compensation due or accrued to Optionee for services rendered; (d) provided that a public market for the Company’s stock exists, through a “same day sale” commitment from the Optionee and a broker-dealer that is a member of the National Association of Securities Dealers (an **“NASD Dealer”**) whereby the NASD Dealer irrevocably commits to forward the Exercise Price directly to the Company before the Company issues the Shares; (e) provided that a public market for the Company’s stock exists, through a “margin” commitment from the Optionee and a NASD Dealer whereby the NASD Dealer irrevocably commits to forward the Exercise Price directly to the Company before the Company issues the Shares; or (f) by any combination of the foregoing.

5.3 Withholding Taxes. Prior to the issuance of the Shares upon exercise of this Option, Optionee shall pay or make adequate provision for any applicable federal or state withholding obligations of the Company.

5.4 Issuance of Shares. Provided that such notice and payment are in form and substance satisfactory to counsel for the Company, the Company shall cause the Shares to be issued in the name of Optionee or Optionee's legal representative.

**6. Nontransferability of Option.** During the lifetime of the Optionee, this Option shall be exercisable only by Optionee or by Optionee's guardian or legal representative, unless otherwise permitted by the Committee. This Option may not be sold, pledged, assigned, hypothecated, transferred or disposed of in any manner other than by will or by the laws of descent and distribution.

**7. Interpretation.** Any dispute regarding the interpretation of this Grant shall be submitted by Optionee or the Company to the Committee that administers the Plan, which shall review such dispute at its next regular meeting. The resolution of such a dispute by the Committee shall be final and binding on the Company and on Optionee. Nothing in the Plan or this Grant shall confer on Optionee any right to continue as a Board member.

**8. Entire Agreement.** The Plan and the Directors Stock Option Exercise Agreement in the form attached hereto as Exhibit A, and the terms and conditions thereof, are incorporated herein by reference. This Grant, the Plan and the Directors Stock Option Exercise Agreement constitute the entire agreement and understanding of the parties hereto with respect to the subject matter hereof and supersede all prior understandings and agreements with respect to such subject matter.

**INTUIT INC.**

By: \_\_\_\_\_

Name (Typed or Printed): \_\_\_\_\_

Title: \_\_\_\_\_

**ACCEPTANCE OF STOCK OPTION GRANT**

Optionee hereby acknowledges receipt of a copy of the Plan, represents that Optionee has read and understands the terms and provisions thereof, and accepts this Option subject to all the terms and conditions of the Plan and this Grant. Optionee acknowledges that there may be adverse tax consequences upon exercise of this Option or disposition of the Shares and that Optionee has been advised by the Company that Optionee should consult a qualified tax advisor prior to such exercise or disposition.

---

, Optionee

Exhibit A

INTUIT INC.  
1996 DIRECTORS STOCK OPTION PLAN  
DIRECTORS STOCK OPTION EXERCISE AGREEMENT

I hereby elect to purchase the number of shares of Common Stock of INTUIT INC. (the "*Company*") as set forth below:

Optionee:  
Social Security Number:  
Address:

Number of Shares Purchased:  
Purchase Price per Share:  
Aggregate Purchase Price:  
Date of Stock Option Grant:

Type of Stock Option: Nonqualified Stock Option

**1. Delivery of Purchase Price.** Optionee hereby delivers to the Company the Aggregate Purchase Price, to the extent permitted in the Directors Nonqualified Stock Option Grant referred to above (the "*Grant*") as follows (check as applicable and complete):

- in cash or by check in the amount of \$ \_\_\_\_\_, receipt of which is acknowledged by the Company;
- by delivery of \_\_\_\_\_ fully-paid, nonassessable and vested shares of the Common Stock of the Company owned by Optionee for at least six (6) months prior to the date hereof (and which have been paid for within the meaning of SEC Rule 144), or obtained by Optionee in the open public market, and owned free and clear of all liens, claims, encumbrances or security interests, valued at the current Fair Market Value of \$ \_\_\_\_\_ per share;
- by the waiver hereby of compensation due or accrued to Optionee for services rendered in the amount of \$ \_\_\_\_\_;
- through a "same-day-sale" commitment, delivered herewith, from Optionee and the NASD Dealer named therein, in the amount of \$ \_\_\_\_\_; or
- through a "margin" commitment, delivered herewith from Optionee and the NASD Dealer named therein, in the amount of \$ \_\_\_\_\_.

**2. Market Standoff Agreement.** Optionee, if requested by the Company and an underwriter of Common Stock (or other securities) of the Company, agrees not to sell or otherwise transfer or dispose of any Common Stock (or other securities) of the Company held by Optionee during the period requested by the managing underwriter following the effective date of a registration statement of the Company filed under the Securities Act, provided that all officers and directors of the Company are required to enter into similar agreements. Such agreement shall be in writing in a form satisfactory to the Company and such underwriter. The

---



Company may impose stop-transfer instructions with respect to the shares (or other securities) subject to the foregoing restriction until the end of such period.

**3. Tax Consequences.** *OPTIONEE UNDERSTANDS THAT OPTIONEE MAY SUFFER ADVERSE TAX CONSEQUENCES AS A RESULT OF OPTIONEE'S PURCHASE OR DISPOSITION OF THE SHARES. OPTIONEE REPRESENTS THAT OPTIONEE HAS CONSULTED WITH ANY TAX CONSULTANT(S) OPTIONEE DEEMS ADVISABLE IN CONNECTION WITH THE PURCHASE OR DISPOSITION OF THE SHARES AND THAT OPTIONEE IS NOT RELYING ON THE COMPANY FOR ANY TAX ADVICE.*

**4. Entire Agreement.** The Plan and the Grant are incorporated herein by reference. This Agreement, the Plan and the Grant constitute the entire agreement of the parties and supersede in their entirety all prior understandings and agreements of the Company and Optionee with respect to the subject matter hereof, and are governed by California law except for that body of law pertaining to conflict of laws.

Date: \_\_\_\_\_  
\_\_\_\_\_ **Signature of Optionee**

The Company hereby verifies receipt and acceptance of this Agreement and its agreement to issue the Shares referred to above, subject to its receipt of the Aggregate Purchase Price, and taxes due, if any.

**INTUIT INC.**

Date: \_\_\_\_\_ By: \_\_\_\_\_  
\_\_\_\_\_  
Name (Typed or Printed)  
\_\_\_\_\_  
Title

## INTUIT INC.

## 1998 OPTION PLAN FOR MERGERS AND ACQUISITIONS

As Adopted November 11, 1998  
Amended And Restated Through April 28, 1999  
And Amended on May 31, 2002  
And Amended on January 29, 2003

**1. PURPOSE.** The purpose of the Plan is to provide incentives to retain and motivate eligible persons whose present and potential contributions are important to the success of the Company (or any Parent, Subsidiary or Affiliate of the Company), by offering those persons an opportunity to participate in the Company's future performance through awards of Options. Capitalized terms are defined in Section 21 if they are not otherwise defined in other sections of the Plan.

**2. SHARES SUBJECT TO THE PLAN.**

2.1 Number of Shares Available. Subject to Sections 2.2 and 16, the total number of Shares reserved and available for grant and issuance pursuant to Options under the Plan shall be 2,000,000 Shares. Subject to Sections 2.2 and 16, Shares will again be available for grant and issuance in connection with future Options under the Plan if the Shares: (a) are subject to issuance upon exercise of an Option but cease to be subject to the Option for any reason other than exercise of the Option; (b) are issued on exercise of an Option but are repurchased by the Company at the original issue price because the Shares are unvested at the time of the Participant's Termination. At all times the Company will reserve and keep available a sufficient number of Shares to satisfy the requirements of all outstanding Options granted under the Plan.

2.2 Adjustment of Shares. If the number of outstanding Shares is changed by a stock dividend, recapitalization, stock split, reverse stock split, subdivision, combination, reclassification or similar change in the capital structure of the Company, without consideration, then (a) the number of Shares reserved for issuance under the Plan, (b) the Exercise Prices of and number of Shares subject to outstanding Options, and (c) the number of Shares subject to other outstanding Options, will be proportionately adjusted, subject to any required action by the Board or the stockholders of the Company and compliance with applicable securities laws; provided that fractions of a Share will not be issued but will either be paid in cash at Fair Market Value, or will be rounded up to the nearest Share, as determined by the Committee; and provided further that the Exercise Price of any Option may not be decreased to below the par value of the Shares.

**3. ELIGIBILITY.** Only persons who commence providing services to the Company or any Parent, Subsidiary or Affiliate of the Company as a result of a merger or acquisition by the Company or any Parent, Subsidiary or Affiliate of the Company may receive Options under the Plan. Options may be granted to such individuals only for a period of up to eighteen months following the closing of the merger or acquisition. Options may be granted to employees, officers, consultants, independent contractors and advisors of the Company or any Parent, Subsidiary or Affiliate of the Company. Options awarded to Insiders or to other individuals who are officers of the Company may not exceed in the aggregate forty-five percent (45%) of all Shares that are reserved for grant under the Plan and employees who are not officers of Intuit must receive at least fifty-one percent (51%) of all Shares that are reserved for grant under the Plan. Only consultants, contractors and advisors that render bona fide services not in connection with the offer and sale of securities in a capital-raising transaction may be granted Options under the Plan. A person may be granted more than one Option under the Plan.

**4. ADMINISTRATION.**

4.1 Committee Authority. The Plan shall be administered by the Committee. Subject to the terms and conditions of the Plan, the Committee will have full power to implement and carry out the Plan. Without limiting the previous sentence, the Committee will have the authority to:

(a) construe and interpret the Plan, any Stock Option Agreement and any other agreement or document executed pursuant to the Plan;

---

(b) prescribe, amend and rescind rules and regulations relating to the Plan, including determining the forms and agreements used in connection with the Plan; provided that the Committee may delegate to the President, the Chief Financial Officer or the officer in charge of Human Resources, in consultation with the General Counsel, the authority to approve revisions to the forms and agreements used in connection with the Plan that are designed to facilitate Plan administration, and that are not inconsistent with the Plan or with any resolutions of the Committee relating to the Plan;

(c) select persons to receive Options; provided that the Committee may delegate to one or more Executive Officers of the Company the authority to grant an Option under the Plan to Participants who are not Insiders of the Company;

(d) determine the terms of Options;

(e) determine the number of Shares subject to Options;

(f) determine whether Options will be granted singly, in combination, or in tandem with, in replacement of, or as alternatives to, other Options under the Plan or any other incentive or compensation plan of the Company or any Parent, Subsidiary or Affiliate of the Company;

(g) grant waivers of Plan or Option conditions;

(h) determine the vesting, exercisability of Options;

(i) correct any defect, supply any omission, or reconcile any inconsistency in the Plan, any Option or any Stock Option Agreement;

(j) determine whether an Option has been earned;

(k) amend the Plan, except for amendments that increase the number of Shares available for issuance under the Plan or change the eligibility criteria for participation in the Plan; or

(l) make all other determinations necessary or advisable for the administration of the Plan.

4.2 Committee Interpretation and Discretion. Any determination made by the Committee with respect to any Option shall be made in its sole discretion at the time of grant of the Option or, unless in contravention of any express term of the Plan or Option, at any later time, and such determination shall be final and binding on the Company and all persons having an interest in any Option under the Plan. Any dispute regarding the interpretation of the Plan or any Stock Option Agreement shall be submitted by Participant or the Company to the Committee for review. The resolution of such a dispute by the Committee shall be final and binding on the Company and Participant.

**5. OPTIONS.** Only nonqualified stock options that do not qualify as incentive stock options within the meaning of the section 422(b) Code may be granted under the Plan. The Committee may grant Options to eligible persons and will determine (i) the number of Shares subject to the Option, (ii) the Exercise Price of the Option, (iii) the period during which the Option may be exercised, and (iv) all other terms and conditions of the Option, subject to the following:

5.1 Form of Option Grant. Each Option granted under the Plan will be evidenced by a Stock Option Agreement. The Stock Option Agreement will be substantially in a form (which need not be the same for each Participant) that the Committee or an officer of the Company (pursuant to Section 4.1(b)) has from time to time approved, and will comply with and be subject to the terms and conditions of the Plan.

5.2 Date of Grant. The date of grant of an Option will be the date on which the Committee makes the determination to grant the Option, unless a later date is otherwise specified by the Committee. The Stock Option Agreement, and a copy of the Plan and the current Prospectus for the Plan (plus any additional documents required to be delivered under applicable laws), will be delivered to the Participant within a reasonable time after the Option is granted.

The Plan, the Prospectus and other documents may delivered in any manner (including electronic distribution or posting) that meets applicable legal requirements.

5.3 Exercise Period and Expiration Date. Options will be exercisable within the times or upon the occurrence of events determined by the Committee and set forth in the Stock Option Agreement, subject to the provisions of Section 5.6, and subject to Company policies established by the Committee (or by individuals to whom the Committee has delegated responsibility) from time to time with respect to vesting during leaves of absences. The Stock Option Agreement shall set forth the last date that the option may be exercised (the "Expiration Date"). The Committee also may provide for Options to become exercisable at one time or from time to time, periodically or otherwise, in such number of Shares or percentage of Shares subject to the Option as the Committee determines.

5.4 Exercise Price. The Exercise Price of an Option will be determined by the Committee when the Option is granted and may not be less than Fair Market Value (and not less than the par value of the Shares); of the Shares on the date of grant. Payment for the Shares purchased must be made in accordance with Section 6 of the Plan and the Stock Option Agreement.

5.5 Procedures for Exercise. A Participant may exercise Options by following the procedures established by the Company's Stock Administration Department, as communicated and made available to Participants through the stock pages on the Intuit Legal Department intranet web site, and/or through the Company's electronic mail system.

#### 5.6 Termination.

(a) Vesting. Any Option granted to a Participant will cease to vest on the Participant's Termination Date, if the Participant is Terminated for any reason other than "total disability" (as defined in this Section 5.6(a)) or death (or his or her death occurs within three months of Termination). Any Option granted on or after May 31, 2002 to a Participant who is an employee will vest as to 100% of the Shares subject to such Option, if the Participant is Terminated due to "total disability" or death (or his or her death occurs within three months of Termination) provided that the Participant is either an employee who has been actively employed by the Company or any Subsidiary for one year or more or a director. For purposes of this Section 5.6(a) "total disability" shall mean: (A) (i) for so long as such definition is used for purposes of the Company's group life insurance and accidental death and dismemberment plan or group long term disability plan, that the Participant is unable to perform each of the material duties of any gainful occupation for which the Participant is or becomes reasonably fitted by training, education or experience and which total disability is in fact preventing the Participant from engaging in any employment or occupation for wage or profit; or, (ii) if such definition has changed, such other definition of "total disability" as determined under the Company's group life insurance and accidental death and dismemberment plan or group long term disability plan; and (B) the Company shall have received from the Participant's primary physician a certification that the Participant's total disability is likely to be permanent. Any Option granted to an employee on or after May 31, 2002 who is Terminated by the Company, or any Subsidiary or Parent within one year following the date of a Corporate Transaction (other than the merger or acquisition that made the Participant eligible for Options under this Plan), will immediately vest as to such number of Shares as the Participant would have been vested twelve months after the date of Termination had the Participant remained employed for that twelve month period.

(b) Post-Termination Exercise Period. Following a Participant's Termination, the Participant's Option may be exercised to the extent vested as set forth in Section 5.6(a):

- (i) no later than 90 days after the Termination Date if a Participant is Terminated for any reason except death or Disability, unless a longer time period, not exceeding five years, is specifically set forth in the Participant's Stock Option Agreement; provided that no Option may be exercised after the Expiration Date of the Option; or
- (ii) no later than (A) twelve months after the Termination Date in the case of Termination due to Disability or (B) eighteen months after the Termination Date in the case of Termination due to death or if a Participant dies within three months of the Termination Date, unless a longer time period, not exceeding five years, is specifically set forth in the Participant's Stock Option Agreement; provided that no Option may be exercised after the Expiration Date of the Option.

5.7 Limitations on Exercise. The Committee may specify a reasonable minimum number of Shares that may be purchased on any exercise of an Option; provided that the minimum number will not prevent a Participant from exercising an Option for the full number of Shares for which it is then exercisable.

5.8 Modification, Extension or Renewal. The Committee may modify, extend or renew outstanding Options and authorize the grant of new Options in substitution therefor; provided that any such action may not, without the written consent of Participant, impair any of Participant's rights under any Option previously granted; and provided, further that without stockholder approval, the modified, extended, renewed or new Option may not have a lower Exercise Price than the outstanding Option. The Committee may reduce the Exercise Price of outstanding Options without the consent of Participants affected, by a written notice to them; provided, however, that the Exercise Price may not be reduced below the minimum Exercise Price that would be permitted under Section 5.4 of the Plan for Options granted on the date the action is taken to reduce the Exercise Price; and provided, further, that the Exercise Price shall not be reduced below the par value of the Shares.

## 6. PAYMENT FOR SHARE PURCHASES.

6.1 Payment. Payment for Shares purchased pursuant to the Plan may be made by any of the following methods (or any combination of such methods) that are described in the applicable Stock Option Agreement and that are permitted by law:

(a) in cash (by check);

(b) by cancellation of indebtedness of the Company to the Participant;

(c) by surrender of Shares that either: (1) were obtained by the Participant in the public market; or (2) if the Shares were not obtained in the public market, they have been owned by the Participant for more than six months and have been paid for within the meaning of SEC Rule 144 (and, if the Shares were purchased from the Company by use of a promissory note, the note has been fully paid with respect to the Shares);

(d) except for a Participant who is an Executive Officer or a director of the Company, by tender of a full recourse promissory note having such terms as may be approved by the Committee and bearing interest at a rate sufficient to avoid imputation of income under Sections 483 and 1274 of the Code; provided, however, that a Participant who is not an employee of the Company may not purchase Shares with a promissory note unless the note is adequately secured with collateral other than the Shares; and provided, further, that the portion of the Exercise Price equal to the par value of the Shares must be paid in cash.

(e) by waiver of compensation due or accrued to Participant for services rendered;

(f) by tender of property; or

(g) with respect only to purchases upon exercise of an Option, and provided that a public market for the Company's stock exists:

- (1) except for a Participant who is an Executive Officer or a director of the Company, through a "same day sale" commitment from Participant and an NASD Dealer whereby the Participant irrevocably elects to exercise the Option and to sell a portion of the Shares purchased in order to pay the Exercise Price, and whereby the NASD Dealer irrevocably commits upon receipt of the Shares to forward the Exercise Price directly to the Company;

for a Participant who is an Executive Officer or a director of the Company, through a "same day sale" commitment from Participant and an NASD Dealer whereby the NASD Dealer irrevocably commits to forward the Exercise Price directly to the Company before the Company issues the Shares; or

- (2) except for a Participant who is an Executive Officer or a director of the Company, through a “margin” commitment from Participant and an NASD Dealer whereby Participant irrevocably elects to exercise the Option and to pledge the Shares purchased to the NASD Dealer in a margin account as security for a loan from the NASD Dealer in the amount of the Exercise Price, and whereby the NASD Dealer irrevocably commits upon receipt of the Shares to forward the Exercise Price directly to the Company.

for a Participant who is an Executive Officer or a director of the Company, through a “margin” commitment from Participant and an NASD Dealer whereby the NASD Dealer irrevocably commits to forward the Exercise Price directly to the Company before the Company issues the Shares.

6.2 Loan Guarantees. The Committee may, in its sole discretion, help a Participant, except for a Participant who is an Executive Officer or director of the Company, pay for Shares purchased under the Plan by authorizing a guarantee by the Company of a third-party loan to the Participant.

6.3 Issuance of Shares. Upon payment of the applicable Exercise Price (or a commitment for payment from the NASD Dealer designated by the Participant in the case of an exercise by means of a “same-day sale” or “margin” commitment), and compliance with other conditions and procedures established by the Company for the purchase of shares, the Company shall issue the Shares registered in the name of Participant (or in the name of the NASD Dealer designated by the Participant in the case of an exercise by means of a “same-day sale” or “margin” commitment) and shall deliver certificates representing the Shares (in physical or electronic form, as appropriate). The Shares may be subject to legends or other restrictions as described in Section 12 of the Plan.

## **7. WITHHOLDING TAXES.**

7.1 Withholding Generally. Whenever Shares are to be issued under Options granted under the Plan, the Company may require the Participant to pay to the Company an amount sufficient to satisfy federal, state and local withholding tax requirements prior to the delivery of any certificate(s) for the Shares. If a payment in satisfaction of an Option is to be made in cash, the payment will be net of an amount sufficient to satisfy federal, state, and local withholding tax requirements.

7.2 Stock Withholding. When, under applicable tax laws, a Participant incurs tax liability in connection with the exercise or vesting of any Option that is subject to tax withholding and the Participant is obligated to pay the Company the amount required to be withheld, the Committee may, in its sole discretion, allow the Participant to satisfy the minimum withholding tax obligation by electing to have the Company withhold from the Shares to be issued that number of Shares having a Fair Market Value equal to the minimum amount required to be withheld, determined on the date that the amount of tax to be withheld is to be determined. All elections by a Participant to have Shares withheld for this purpose shall be made in writing in a form acceptable to the Committee.

**8. PRIVILEGES OF STOCK OWNERSHIP.** No Participant will have any rights as a stockholder of the Company with respect to any Shares until the Shares are issued to the Participant. After Shares are issued to the Participant, the Participant will be a stockholder and have all the rights of a stockholder with respect to the Shares; provided, however, that if the Shares are unvested, any new, additional or different securities the Participant may become entitled to receive with respect to the Shares by virtue of a stock dividend, stock split or any other change in the corporate or capital structure of the Company will be subject to the same restrictions as the unvested Shares; provided further, that the Participant will have no right to retain such dividends or distributions with respect to Shares that are repurchased at the Participant’s original Exercise Price pursuant to Section 10.

**9. TRANSFERABILITY.** Options granted under the Plan, and any interest therein, shall not be transferable or assignable by the Participant, and may not be made subject to execution, attachment or similar process, otherwise than by will or by the laws of descent and distribution or as consistent with the Plan and specific Stock Option Agreement provisions relating thereto. During the lifetime of the Participant an Option shall be exercisable only by the Participant, and any elections with respect to an Option may be made only by the Participant.

**10. RESTRICTIONS ON SHARES.** At the discretion of the Committee, the Company may reserve to itself and/or its assignee(s) in the Stock Option Agreement a right to repurchase all or a portion of a Participant’s Shares that are

not "Vested" (as defined in the Stock Option Agreement), following the Participant's Termination, at any time within ninety days after the later of (i) the Participant's Termination Date or (ii) the date the Participant purchases Shares under the Plan, for cash or cancellation of purchase money indebtedness with respect to Shares, at the Participant's original Exercise Price; provided that upon assignment of the right to repurchase, the assignee must pay the Company, upon assignment of the right to repurchase, cash equal to the excess of the Fair Market Value of the Shares over the original Exercise Price.

**11. CERTIFICATES.** All certificates for Shares or other securities delivered under the Plan (whether in physical or electronic form, as appropriate) will be subject to stock transfer orders, legends and other restrictions that the Committee deems necessary or advisable, including without limitation restrictions under any applicable federal, state or foreign securities law, or any rules, regulations and other requirements of the SEC or any stock exchange or automated quotation system on which the Shares may be listed.

**12. ESCROW; PLEDGE OF SHARES.** To enforce any restrictions on a Participant's Shares, the Committee may require the Participant to deposit all certificates representing Shares, together with stock powers or other transfer instruments approved by the Committee, appropriately endorsed in blank, with the Company or an agent designated by the Company, to hold in escrow until such restrictions have lapsed or terminated, and the Committee may cause a legend or legends referencing such restrictions to be placed on the certificates. Any Participant who is permitted to execute a promissory note as partial or full consideration for the purchase of Shares under the Plan will be required to pledge and deposit with the Company all or part of the Shares purchased as collateral to secure the payment of the Participant's obligation to the Company under the promissory note; provided, however, that the Committee may require or accept other or additional forms of collateral to secure the payment of such obligation and, in any event, the Company will have full recourse against the Participant under the promissory note notwithstanding any pledge of the Participant's Shares or other collateral. In connection with any pledge of the Shares, the Participant will be required to execute and deliver a written pledge agreement in a form that the Committee has from time to time approved. The Shares purchased with the promissory note may be released from the pledge on a pro rata basis as the promissory note is paid.

**13. SECURITIES LAW AND OTHER REGULATORY COMPLIANCE.** An Option shall not be effective unless the Option is in compliance with all applicable state, federal and foreign securities laws, rules and regulations of any governmental body, and the requirements of any stock exchange or automated quotation system on which the Shares may then be listed, as they are in effect on the date of grant of the Option and also on the date of exercise or other issuance. Notwithstanding any other provision in the Plan, the Company shall have no obligation to issue or deliver certificates for Shares under the Plan prior to (a) obtaining any approvals from governmental agencies that the Company determines are necessary or advisable, and/or (b) completion of any registration or other qualification of such shares under any state, federal or foreign law or ruling of any governmental body that the Company determines to be necessary or advisable. The Company shall be under no obligation to register the Shares with the SEC or to effect compliance with the registration, qualification or listing requirements of any state, federal or foreign securities laws, stock exchange or automated quotation system, and the Company shall have no liability for any inability or failure to do so.

**14. NO OBLIGATION TO EMPLOY.** Nothing in the Plan or any Option granted under the Plan shall confer or be deemed to confer on any Participant any right to continue in the employ of, or to continue any other relationship with, the Company or any Parent, Subsidiary or Affiliate of the Company or limit in any way the right of the Company or any Parent, Subsidiary or Affiliate of the Company to terminate Participant's employment or other relationship at any time, with or without cause.

**15. EXCHANGE AND BUYOUT OF OPTIONS.** The Committee may, at any time or from time to time, authorize the Company, with the consent of the respective Participants, to issue new Options in exchange for the surrender and cancellation of any or all outstanding Options. The Committee may at any time buy from a Participant an Option previously granted with payment in cash, Shares or other consideration, based on such terms and conditions as the Committee and the Participant shall agree.

**16. CORPORATE TRANSACTIONS.**

16.1 Assumption or Replacement of Options by Successor. In the event of (a) a merger or consolidation in which the Company is not the surviving corporation (other than a merger or consolidation with a wholly-owned subsidiary, a reincorporation of the Company in a different jurisdiction, or other transaction in which there is no substantial change in the stockholders of the Company and the Options granted under the Plan are assumed or replaced by

the successor corporation, which assumption shall be binding on all Participants), (b) a dissolution or liquidation of the Company, (c) the sale of substantially all of the assets of the Company, or (d) any other transaction which qualifies as a "corporate transaction" under Section 424(a) of the Code wherein the stockholders of the Company give up all of their equity interest in the Company (except for the acquisition, sale or transfer of all or substantially all of the outstanding shares of the Company), any or all outstanding Options may be assumed or replaced by the successor corporation, which assumption or replacement shall be binding on all Participants. In the alternative, the successor corporation may substitute equivalent Options or provide substantially similar consideration to Participants as was provided to stockholders (after taking into account the existing provisions of the Options). The successor corporation may also issue, in place of outstanding Shares of the Company held by the Participant, substantially similar shares or other property subject to repurchase restrictions no less favorable to the Participant. In the event such successor corporation, if any, refuses to assume or replace the Options, as provided above, pursuant to a transaction described in this Section 16.1, such Options shall expire in connection with the transaction at such time and on such conditions as the Board shall determine. In the event such successor corporation, if any, refuses to assume or replace the Awards, as provided above, pursuant to a Corporate Transaction or if there is no successor corporation due to a dissolution or liquidation of the Company, such Awards shall immediately vest as to 100% of the Shares subject thereto at such time and on such conditions as the Board shall determine and the Awards shall expire at the closing of the transaction or at the time of dissolution or liquidation.

16.2 Other Treatment of Options. Subject to any greater rights granted to Participants under Section 16.1, in the event of the occurrence of any transaction described in Section 16.1, any outstanding Options shall be treated as provided in the applicable agreement or plan of merger, consolidation, dissolution, liquidation, sale of assets or other "corporate transaction."

16.3 Assumption of Options by the Company. The Company, from time to time, also may substitute or assume outstanding awards granted by another company, whether in connection with an acquisition of such other company or otherwise, by either (a) granting an Option under the Plan in substitution of such other company's award, or (b) assuming such award as if it had been granted under the Plan if the terms of such assumed award could be applied to an Option granted under the Plan. Such substitution or assumption shall be permissible if the holder of the substituted or assumed award would have been eligible to be granted an Option under the Plan if the other company had applied the rules of the Plan to such grant. In the event the Company assumes an award granted by another company, the terms and conditions of such award shall remain unchanged (except that the exercise price and the number and nature of Shares issuable upon exercise of any such option will be adjusted appropriately pursuant to Section 424(a) of the Code). In the event the Company elects to grant a new Option rather than assuming an existing option, such new Option may be granted with a similarly adjusted Exercise Price.

17. **ADOPTION.** The Plan is effective on the date that it is adopted by the Board (the "Effective Date").

18. **TERM OF PLAN.** The Plan will terminate ten years from the Effective Date.

19. **AMENDMENT OR TERMINATION OF PLAN.** The Board may at any time terminate or amend the Plan in any respect, including without limitation amendment of any form of Stock Option Agreement or instrument to be executed pursuant to the Plan. In addition, pursuant to Section 4.1(k), the Board has delegated to the Committee the authority to make certain amendments to the Plan. In addition, no amendment that is detrimental to a Participant may be made to any outstanding Option without the consent of the Participant.

20. **NONEXCLUSIVITY OF THE PLAN; UNFUNDED PLAN.** Neither the adoption of the Plan by the Board nor any provision of the Plan shall be construed as creating any limitations on the power of the Board to adopt such additional compensation arrangements as it may deem desirable, including, without limitation, the granting of stock options otherwise than under the Plan, and such arrangements may be either generally applicable or applicable only in specific cases. The Plan shall be unfunded. Neither the Company nor the Board shall be required to segregate any assets that may at any time be represented by Options made pursuant to the Plan. Neither the Company, the Committee, nor the Board shall be deemed to be a trustee of any amounts to be paid under the Plan.

21. **DEFINITIONS.** As used in the Plan, the following terms shall have the following meanings:

(a) "Affiliate" means any corporation that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, another corporation, where "control"



(including the terms “controlled by” and “under common control with”) means the possession, direct or indirect, of the power to cause the direction of the management and policies of the corporation, whether through the ownership of voting securities, by contract or otherwise.

(b) “Board” means the Board of Directors of the Company.

(c) “Code” means the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

(d) “Committee” means the committee appointed by the Board to administer the Plan, or if no committee is appointed, the Board. Each member of the Committee shall be (i) a “non-employee director” for purposes of Section 16 and Rule 16b-3 of the Exchange Act, and (ii) an “outside director” for purposes of Section 162(m) of the Code, unless the Board has fewer than two such outside directors.

(e) “Company” means Intuit Inc., a corporation organized under the laws of the State of Delaware, or any successor corporation.

(f) “Disability” means a disability within the meaning of Section 22(e)(3) of the Code, as determined by the Committee.

(g) “Exchange Act” means the Securities Exchange Act of 1934, as amended, and the regulations promulgated thereunder.

(h) “Executive Officer” means a person who is an “executive officer” of the Company as defined in Rule 3b-7 promulgated under the Exchange Act.

(i) “Exercise Price” means the price at which a Participant who holds an Option may purchase the Shares issuable upon exercise of the Option.

(j) “Fair Market Value” means, as of any date, the value of a share of the Company’s Common Stock determined as follows:

(1) if such Common Stock is then quoted on the NASDAQ National Market, its last reported sale price on the NASDAQ National Market on such date or, if no such reported sale takes place on such date, the average of the closing bid and asked prices;

(2) if such Common Stock is publicly traded and is then listed on a national securities exchange, the last reported sale price on such date or, if no such reported sale takes place on such date, the average of the closing bid and asked prices on the principal national securities exchange on which the Common Stock is listed or admitted to trading;

(3) if such Common Stock is publicly traded but is not quoted on the NASDAQ National Market nor listed or admitted to trading on a national securities exchange, the average of the closing bid and asked prices on such date, as reported by The Wall Street Journal, for the over-the-counter market; or

(4) if none of the foregoing is applicable, by the Board of Directors of the Company in good faith.

(k) “Insider” means an officer or director of the Company or any other person whose transactions in the Company’s Common Stock are subject to Section 16 of the Exchange Act.

(l) “NASD Dealer” means broker-dealer that is a member of the National Association of Securities Dealers, Inc.

(m) “Option” means an award of an option to purchase Shares pursuant to Section 5 of the Plan.

- (n) "Parent" means any corporation (other than the Company) in an unbroken chain of corporations ending with the Company, if at the time of the granting of an Option under the Plan, each of such corporations other than the Company owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.
- (o) "Participant" means a person who receives an Option under the Plan.
- (p) "Plan" means this Intuit Inc. 1998 Option Plan for Mergers and Acquisitions, as amended from time to time.
- (q) "Prospectus" means the prospectus relating to the Plan, as amended from time to time, that is prepared by the Company and delivered or made available to Participants pursuant to the requirements of the Securities Act.
- (r) "SEC" means the Securities and Exchange Commission.
- (s) "Securities Act" means the Securities Act of 1933, as amended, and the regulations promulgated thereunder.
- (t) "Shares" means shares of the Company's Common Stock \$0.01 par value, reserved for issuance under the Plan, as adjusted pursuant to Sections 2 and 16, and any successor security.
- (u) "Stock Option Agreement" means an agreement evidencing the award of an Option.
- (v) "Subsidiary" means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if, at the time of granting of the Option, each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.
- (w) "Termination" or "Terminated" means, for purposes of the Plan with respect to a Participant, that the Participant has ceased to provide services as an employee, consultant, independent contractor or advisor, to the Company or a Parent, Subsidiary or Affiliate of the Company; provided that a Participant shall not be deemed to be Terminated if the Participant is on a leave of absence approved by the Committee or by an officer of the Company designated by the Committee; and provided further, that during any approved leave of absence, vesting of Options shall be suspended or continue in accordance with guidelines established from time to time by the Committee. Subject to the foregoing, the Committee shall have sole discretion to determine whether a Participant has ceased to provide services and the effective date on which the Participant ceased to provide services (the "Termination Date").

## INTUIT INC.

## 2002 EQUITY INCENTIVE PLAN

**As Adopted by the Board on October 24, 2001  
and Amended by the Board on November 26, 2001<sup>i</sup>  
and Approved by Stockholders on January 18, 2002  
and Amended by the Board on May 1, 2002  
and Amended by the Board on October 9, 2002  
and Approved by Stockholders on December 12, 2002  
and Amended by the Board on January 29, 2003**

**1. PURPOSE.** The purpose of the Plan is to provide incentives to attract, retain and motivate eligible persons whose present and potential contributions are important to the success of the Company its Parent or Subsidiaries by offering them an opportunity to participate in the Company's future performance through awards of Options, Restricted Stock and Stock Bonuses. Capitalized terms not defined in the text are defined in Section 23.

**2. SHARES SUBJECT TO THE PLAN.**

2.1 Number of Shares Available. Subject to Sections 2.2 and 18, the following number of Shares are available for grant and issuance under the Plan: (a) 12,850,000 Shares, plus (b) 1,900,000 Shares resulting from authorized shares not issued or subject to outstanding grants under the Company's 1993 Equity Incentive Plan (the "Prior Plan") on the Effective Date (as defined in Section 19); plus (c) Shares that are subject to: (i) issuance upon exercise of an Option but cease to be subject to the Option for any reason other than exercise of the Option; (ii) an Award that otherwise terminates without Shares being issued; or (iii) are subject to an Award that is forfeited or are repurchased by the Company at the original issue price. No more than 10,000,000 shares shall be issued as ISOs. At all times the Company will reserve and keep available a sufficient number of Shares to satisfy the requirements of all outstanding Options granted under the Plan and all other outstanding but unvested Awards granted under the Plan.

2.2 Adjustment of Shares. If the number of outstanding Shares is changed by a stock dividend, recapitalization, stock split, reverse stock split, subdivision, combination, reclassification or similar change in the capital structure of the Company, without consideration, then (a) the number of Shares reserved for issuance under the Plan, (b) the Exercise Prices of and number of Shares subject to outstanding Options, (c) the number of Shares subject to other outstanding Awards, (d) the 10,000,000 maximum number of shares that may be issued as ISOs set forth in Section 2.1; (e) the 2,000,000 and 3,000,000 maximum number of shares that may be issued to an individual in any one calendar year set forth in Section 3; and (f) the annual 500,000 Share limit on the aggregate number of Shares that may be: (i) made subject to an Option granted at an Exercise Price of less than Fair Market Value on the date of grant, (ii) issued under the Plan as a Stock Bonus; and (iii) issued under the Plan as a Restricted Stock Award at a Purchase Price of less than Fair Market Value on the date the Award is made, will be proportionately adjusted, subject to any required action by the Board or the stockholders of the Company and compliance with applicable securities laws; provided that fractions of a Share will not be issued but will either be paid in cash at Fair Market Value, or will be rounded up to the nearest Share, as determined by the Committee; and provided further that the Exercise Price of any Option may not be decreased to below the par value of the Shares.

**3. ELIGIBILITY.** ISOs may be granted only to employees (including officers and directors who are also employees) of the Company or of a Parent or Subsidiary. All other Awards may be granted to employees, officers, directors, consultants, independent contractors and advisors of the Company or any Parent or Subsidiary; provided that such consultants, contractors and advisors render bona fide services not in connection with the offer and sale of securities in a capital-raising transaction. The Committee (or its designee under 4.1(c)) will from time to

---

<sup>i</sup> Amended by the Board on November 26, 2001 solely to reserve 8,000,000 new shares for grant and issuance under Section 2.1(a) of the Plan.

time determine and designate among the eligible persons who will be granted one or more Awards under the Plan. A person may be granted more than one Award under the Plan. However, no person will be eligible to receive more than 2,000,000 Shares in any calendar year under this Plan pursuant to the grant of Awards hereunder, other than new employees of the Company or of a Parent or Subsidiary (including new employees who are also officers and directors of the Company or any Parent or Subsidiary), who are eligible to receive up to a maximum of 3,000,000 Shares in the calendar year in which they commence their employment.

#### 4. ADMINISTRATION.

4.1 Committee Authority. The Plan shall be administered by the Committee. Subject to the terms and conditions of the Plan, the Committee will have full power to implement and carry out the Plan. Without limiting the previous sentence, the Committee will have the authority to:

- (a) construe and interpret the Plan, any Award Agreement and any other agreement or document executed pursuant to the Plan;
- (b) prescribe, amend and rescind rules and regulations relating to the Plan, including determining the forms and agreements used in connection with the Plan; provided that the Committee may delegate to the President, the Chief Financial Officer or the officer in charge of Human Resources, in consultation with the General Counsel, the authority to approve revisions to the forms and agreements used in connection with the Plan that are designed to facilitate Plan administration, and that are not inconsistent with the Plan or with any resolutions of the Committee relating to the Plan;
- (c) select persons to receive Awards; provided that the Committee may delegate to one or more Executive Officers of the Company the authority to grant an Award under the Plan to Participants who are not Insiders of the Company;
- (d) determine the terms of Awards;
- (e) determine the number of Shares or other consideration subject to Awards;
- (f) determine whether Awards will be granted singly, in combination, or in tandem with, in replacement of, or as alternatives to, other Awards under the Plan or any other incentive or compensation plan of the Company or any Parent or Subsidiary;
- (g) grant waivers of Plan or Award conditions;
- (h) determine the vesting, exercisability, transferability, and payment of Awards;
- (i) correct any defect, supply any omission, or reconcile any inconsistency in the Plan, any Award or any Award Agreement;
- (j) determine whether an Award has been earned;
- (k) amend the Plan, except for amendments that increase the number of Shares available for issuance under the Plan or change the eligibility criteria for participation in the Plan; or any other amendments that require approval of the stockholders of the Company; or
- (l) make all other determinations necessary or advisable for the administration of the Plan.

4.2 Committee Interpretation and Discretion. Any determination made by the Committee with respect to any Award shall be made in its sole discretion at the time of grant of the Award or, unless in contravention of any express term of the Plan or Award, at any later time, and such determination shall be final and binding on the Company and all persons having an interest in any Award under the Plan. Any dispute regarding the

interpretation of the Plan or any Award Agreement shall be submitted by Participant or the Company to the Committee for review. The resolution of such a dispute by the Committee shall be final and binding on the Company and Participant.

**5. OPTIONS.** The Committee may grant Options to eligible persons and will determine (a) whether the Options will be ISOs or NQSOs; (b) the number of Shares subject to the Option, (c) the Exercise Price of the Option, (d) the period during which the Option may be exercised, and (e) all other terms and conditions of the Option, subject to the following:

5.1 Form of Option Grant. Each Option granted under the Plan will be evidenced by a Stock Option Agreement that will expressly identify the Option as an ISO or NQSO. The Stock Option Agreement will be substantially in a form (which need not be the same for each Participant) that the Committee or an officer of the Company (pursuant to Section 4.1(b)) has from time to time approved, and will comply with and be subject to the terms and conditions of the Plan.

5.2 Date of Grant. The date of grant of an Option will be the date on which the Committee makes the determination to grant the Option, unless a later date is otherwise specified by the Committee. The Stock Option Agreement, and a copy of the Plan and the current Prospectus for the Plan (plus any additional documents required to be delivered under applicable laws), will be delivered to the Participant within a reasonable time after the Option is granted. The Plan, the Prospectus and other documents may be delivered in any manner (including electronic distribution or posting) that meets applicable legal requirements.

5.3 Exercise Period and Expiration Date. Options will be exercisable within the times or upon the occurrence of events determined by the Committee and set forth in the Stock Option Agreement, subject to the provisions of Section 5.6, and subject to Company policies established by the Committee (or by individuals to whom the Committee has delegated responsibility) from time to time with respect to vesting during leaves of absences. The Stock Option Agreement shall set forth the last date that the option may be exercised (the "Expiration Date"); provided that no Option will be exercisable after the expiration of ten years from the date the Option is granted; and provided further that no ISO granted to a Ten Percent Stockholder will be exercisable after the expiration of five years from the date the Option is granted. The Committee also may provide for Options to become exercisable at one time or from time to time, periodically or otherwise, in such number of Shares or percentage of Shares subject to the Option as the Committee determines.

5.4 Exercise Price. The Exercise Price of an Option will be determined by the Committee when the Option is granted and may be less than Fair Market Value (but not less than the par value of the Shares); provided that (i) the Exercise Price of an ISO will not be less than the Fair Market Value of the Shares on the date of grant and (ii) the Exercise Price of any ISO granted to a Ten Percent Stockholder will not be less than 110% of the Fair Market Value of the Shares on the date of grant. Notwithstanding the foregoing, no more than 500,000 Shares annually (less any Shares that have been issued under the Plan as Stock Bonuses or as Restricted Stock Awards at a price of less than Fair Market Value on the date of grant) may be made subject to Options granted at an Exercise Price that is less than Fair Market Value on the date of grant. Payment for the Shares purchased must be made in accordance with Section 8 of the Plan and the Stock Option Agreement.

5.5 Procedures for Exercise. A Participant or Authorized Transferee may exercise Options by following the procedures established by the Company's Stock Administration Department, as communicated and made available to Participants through the stock pages on the Intuit Legal Department intranet web site, and/or through the Company's electronic mail system.

5.6 Termination.

(a) Vesting. Any Option granted to a Participant will cease to vest on the Participant's Termination Date, if the Participant is Terminated for any reason other than "total disability" (as defined in this Section 5.6(a)) or death (or his or her death occurs within three months of Termination). Any Option granted to a Participant who is an employee who has been actively employed by the Company or any Subsidiary for one year or more or a director will vest as to 100% of the Shares subject to such Option, if the Participant is Terminated due to "total disability" or

death (or his or her death occurs within three months of Termination). For purposes of this Section 5.6(a), "total disability" shall mean: (A) (i) for so long as such definition is used for purposes of the Company's group life insurance and accidental death and dismemberment plan or group long term disability plan, that the Participant is unable to perform each of the material duties of any gainful occupation for which the Participant is or becomes reasonably fitted by training, education or experience and which total disability is in fact preventing the Participant from engaging in any employment or occupation for wage or profit; or, (ii) if such definition has changed, such other definition of "total disability" as determined under the Company's group life insurance and accidental death and dismemberment plan or group long term disability plan; and (B) the Company shall have received from the Participant's primary physician a certification that the Participant's total disability is likely to be permanent. Any Option granted to an employee who is Terminated by the Company, or any Subsidiary or Parent within one year following the date of a Corporate Transaction, will immediately vest as to such number of Shares as the Participant would have been vested twelve months after the date of Termination had the Participant remained employed for that twelve month period.

(b) Post-Termination Exercise Period. Following a Participant's Termination, the Participant's Option may be exercised to the extent vested as set forth in Section 5.6(a):

- (i) no later than 90 days after the Termination Date if a Participant is Terminated for any reason except death or Disability, unless a longer time period, not exceeding five years, is specifically set forth in the Participant's Stock Option Agreement; provided that no Option may be exercised after the Expiration Date of the Option; or
- (ii) no later than (A) twelve months after the Termination Date in the case of Termination due to Disability or (B) eighteen months after the Termination Date in the case of Termination due to death or if a Participant dies within three months of the Termination Date, unless a longer time period, not exceeding five years, is specifically set forth in the Participant's Stock Option Agreement; provided that no Option may be exercised after the Expiration Date of the Option.

5.7 Limitations on Exercise. The Committee may specify a reasonable minimum number of Shares that may be purchased on any exercise of an Option; provided that the minimum number will not prevent a Participant from exercising an Option for the full number of Shares for which it is then exercisable.

5.8 Limitations on ISOs. The aggregate Fair Market Value (determined as of the date of grant) of Shares with respect to which ISOs are exercisable for the first time by a Participant during any calendar year (under the Plan or under any other incentive stock option plan of the Company or any Parent or Subsidiary) shall not exceed \$100,000. If the Fair Market Value of Shares on the date of grant with respect to which ISOs are exercisable for the first time by a Participant during any calendar year exceeds \$100,000, the Options for the first \$100,000 worth of Shares to become exercisable in that calendar year will be ISOs, and the Options for the Shares with a Fair Market Value in excess of \$100,000 that become exercisable in that calendar year will be NQSOs. If the Code is amended after the Effective Date of the Plan to provide for a different limit on the Fair Market Value of Shares permitted to be subject to ISOs, such different limit shall be automatically incorporated into the Plan and will apply to any Options granted after the effective date of the amendment.

5.9 Notice of Disqualifying Dispositions of Shares Acquired on Exercise of an ISO. If a Participant sells or otherwise disposes of any Shares acquired pursuant to the exercise of an ISO on or before the later of (1) the date two years after the Date of Grant, and (2) the date one year after the exercise of the ISO (in either case, a "Disqualifying Disposition"), the Participant must immediately notify the Company in writing of such disposition. The Participant may be subject to income tax withholding by the Company on the compensation income recognized by the Participant from the Disqualifying Disposition.

5.10 Modification, Extension or Renewal. The Committee may modify, extend or renew outstanding Options and authorize the grant of new Options in substitution thereof; provided that any such action may not, without the written consent of Participant, impair any of Participant's rights under any Option previously granted; and provided, further that without stockholder approval, the modified, extended, renewed or new Option

may not have a lower Exercise Price than the outstanding Option. Any outstanding ISO that is modified, extended, renewed or otherwise altered shall be treated in accordance with Section 424(h) of the Code. The Committee may reduce the Exercise Price of outstanding Options without the consent of Participants affected, by a written notice to them; provided, however, that unless prior stockholder approval is secured, the Exercise Price may not be reduced below that of the outstanding Option.

5.11 No Disqualification. Notwithstanding any other provision in the Plan, no term of the Plan relating to ISOs will be interpreted, amended or altered, and no discretion or authority granted under the Plan will be exercised, so as to disqualify the Plan under Section 422 of the Code or, without the consent of the Participant affected, to disqualify any ISO under Section 422 of the Code.

**6. RESTRICTED STOCK AWARDS.** The Committee may award Restricted Stock Awards under the Plan to any eligible person. The Committee will determine the number of Shares subject to the Restricted Stock Award, the Purchase Price, the restrictions on the Shares and all other terms and conditions of the Restricted Stock Award, subject to the following:

6.1 Restricted Stock Purchase Agreement. All purchases under a Restricted Stock Award will be evidenced by a Restricted Stock Purchase Agreement, which will be in substantially a form (which need not be the same for each Participant) that the Committee has from time to time approved, and will comply with and be subject to the terms and conditions of the Plan. A Participant can accept a Restricted Stock Award only by signing and delivering to the Company a Restricted Stock Purchase Agreement, and full payment of the Purchase Price, within thirty days from the date the Restricted Stock Purchase Agreement was delivered to the Participant. If the Participant does not accept the Restricted Stock Award in this manner within thirty days, then the offer of the Restricted Stock Award will terminate, unless the Committee determines otherwise.

6.2 Purchase Price. The Purchase Price for a Restricted Stock Award will be determined by the Committee, and may be less than Fair Market Value (but not less than the par value of the Shares) on the date the Restricted Stock Award is granted. Notwithstanding the foregoing, the Committee may not award Restricted Stock for more than 500,000 Shares annually (less any Shares that have been made subject to Options granted with an Exercise Price of less than Fair Market Value on the date of grant or Stock Bonuses) with a Purchase Price that is less than Fair Market Value on the date of grant. Payment of the Purchase Price must be made in accordance with Section 8 of the Plan and the Restricted Stock Purchase Agreement, and in accordance with any procedures established by the Company's Stock Administration Department, as communicated and made available to Participants through the stock pages on the Intuit Legal Department intranet web site, and/or through the Company's electronic mail system.

6.3 Terms of Restricted Stock Awards. Restricted Stock Awards will be subject to all restrictions, if any, that the Committee may impose. These restrictions may be based on completion of a specified number of years of service with the Company or upon completion of the performance goals as set out in advance in the Participant's Restricted Stock Purchase Agreement, which shall be in substantially in a form (which need not be the same for each Participant) as the Committee or an officer of the Company (pursuant to Section 4.1(b)) shall from time to time approve, and shall comply with and be subject to the terms and conditions of the Plan and the Restricted Stock Purchase Agreement. Prior to the grant of a Restricted Stock Award, the Committee shall: (a) determine the nature, length and starting date of any Performance Period for the Restricted Stock Award; (b) select from among the Performance Factors to be used to measure performance goals, if any; and (c) determine the number of Shares that may be awarded to the Participant. Prior to the payment for Shares to be purchased under any Restricted Stock Award, the Committee shall determine the extent to which such Restricted Stock Award has been earned. Performance Periods may overlap and a Participant may participate simultaneously with respect to Restricted Stock Awards that are subject to different Performance Periods and having different performance goals and other criteria.

## **7. STOCK BONUSES.**

7.1 Awards of Stock Bonuses. The Committee may award Stock Bonuses to any eligible person. No payment will be required for Shares awarded pursuant to a Stock Bonus. A Stock Bonus may be awarded for past services already rendered to the Company, or any Parent or Subsidiary pursuant to a Stock Bonus

Agreement, which shall be in substantially a form (which need not be the same for each Participant) that the Committee has from time to time approved, and will comply with and be subject to the terms and conditions of the Plan. Notwithstanding the foregoing, the Committee may not award Stock Bonuses for more than 500,000 Shares annually (less any Shares that have been made subject to Options granted with an Exercise Price of less than Fair Market Value on the Date of Grant and any Shares that have been issued under the Plan as Restricted Stock at a Purchase Price of less than Fair Market Value on the date of grant).

7.2 Terms of Stock Bonuses. Stock Bonuses will be subject to all restrictions, if any, that the Committee imposes. These restrictions may be based upon completion of a specified number of years of service with the Company or upon completion of the performance goals as set out in advance in the Participant's Stock Bonus Agreement. The terms of Stock Bonuses may vary from Participant to Participant and between groups of Participants. Prior to the grant of a Stock Bonus, the Committee shall: (a) determine the nature, length and starting date of any Performance Period for the Stock Bonus; (b) select from among the Performance Factors to be used to measure performance goals; and (c) determine the number of Shares that may be awarded to the Participant. Prior to the issuance of any Shares or other payment to a Participant pursuant to a Stock Bonus, the Committee will determine the extent to which the Stock Bonus has been earned. Performance Periods may overlap and a Participant may participate simultaneously with respect to Stock Bonuses that are subject to different Performance Periods and having different performance goals and other criteria.

7.3 Form of Payment to Participant. The Committee will determine whether a Stock Bonus will be paid to the Participant in the form of cash, whole Shares, or a combination thereof, based on the Fair Market Value on the date of payment, and in either a lump sum payment or in installments.

7.4 Termination During Performance Period. If a Participant is Terminated during a Performance Period for any reason, then the Participant will be entitled to payment (whether in Shares, cash or otherwise) with respect to the Stock Bonus only to the extent earned as of the date of Termination in accordance with the Stock Bonus Agreement, unless the Committee determines otherwise.

## **8. PAYMENT FOR SHARE PURCHASES.**

8.1 Payment. Payment for Shares purchased pursuant to the Plan may be made by any of the following methods (or any combination of such methods) that are described in the applicable Stock Option Agreement or other Award Agreement and that are permitted by law:

- (a) in cash (by check);
- (b) in the case of exercise by the Participant, Participant's guardian or legal representative or the authorized legal representative of Participants' heirs or legatees after Participant's death, by cancellation of indebtedness of the Company to the Participant;
- (c) by surrender of Shares that either: (1) were obtained by the Participant or Authorized Transferee in the public market; or (2) if the Shares were not obtained in the public market, they have been owned by the Participant or Authorized Transferee for more than six months and have been paid for within the meaning of SEC Rule 144 (and, if the Shares were purchased from the Company by use of a promissory note, the note has been fully paid with respect to the Shares);
- (d) except for a Participant who is an Executive Officer or a director of the Company, by tender of a full recourse promissory note having such terms as may be approved by the Committee and bearing interest at a rate sufficient to avoid imputation of income under Sections 483 and 1274 of the Code; provided, however, that a Participant who is not an employee of the Company may not purchase Shares with a promissory note unless the note is adequately secured by collateral other than the Shares; and provided, further, that the portion of the Purchase Price or Exercise Price equal to the par value of the Shares must be paid in cash.



- (e) in the case of exercise by the Participant, Participant's guardian or legal representative or the authorized legal representative of Participants' heirs or legatees after Participant's death, by waiver of compensation due or accrued to Participant for services rendered;
- (f) by tender of property; or
- (g) with respect only to purchases upon exercise of an Option, and provided that a public market for the Company's stock exists:
  - (1) except for a Participant who is an Executive Officer or a director of the Company, through a "same day sale" commitment from Participant or Authorized Transferee and an NASD Dealer whereby the Participant or Authorized Transferee irrevocably elects to exercise the Option and to sell a portion of the Shares purchased in order to pay the Exercise Price, and whereby the NASD Dealer irrevocably commits upon receipt of the Shares to forward the Exercise Price directly to the Company;  
  
for a Participant who is an Executive Officer or a director of the Company, through a "same day sale" commitment from Participant and an NASD Dealer whereby the NASD Dealer irrevocably commits to forward the Exercise Price directly to the Company before the Company issues the Shares; or
  - (2) except for a Participant who is an Executive Officer or a director of the Company, through a "margin" commitment from Participant or Authorized Transferee and an NASD Dealer whereby Participant or Authorized Transferee irrevocably elects to exercise the Option and to pledge the Shares purchased to the NASD Dealer in a margin account as security for a loan from the NASD Dealer in the amount of the Exercise Price, and whereby the NASD Dealer irrevocably commits upon receipt of the Shares to forward the Exercise Price directly to the Company.  
  
for a Participant who is an Executive Officer or a director of the Company, through a "margin" commitment from Participant and an NASD Dealer whereby the NASD Dealer irrevocably commits to forward the Exercise Price directly to the Company before the Company issues the Shares.

8.2 Loan Guarantees. The Committee may, in its sole discretion, help a Participant, except for a Participant who is an Executive Officer or director of the Company, pay for Shares purchased under the Plan by authorizing a guarantee by the Company of a third-party loan to the Participant.

8.3 Issuance of Shares. Upon payment of the applicable Purchase Price or Exercise Price (or a commitment for payment from the NASD Dealer designated by the Participant or Authorized Transferee in the case of an exercise by means of a "same-day sale" or "margin" commitment), and compliance with other conditions and procedures established by the Company for the purchase of shares, the Company shall issue the Shares registered in the name of Participant or Authorized Transferee (or in the name of the NASD Dealer designated by the Participant or Authorized Transferee in the case of an exercise by means of a "same-day sale" or "margin" commitment) and shall deliver certificates representing the Shares (in physical or electronic form, as appropriate). The Shares may be subject to legends or other restrictions as described in Section 14 of the Plan.

## 9. WITHHOLDING TAXES.

9.1 Withholding Generally. Whenever Shares are to be issued under Awards granted under the Plan, the Company may require the Participant to pay to the Company an amount sufficient to satisfy federal, state and local withholding tax requirements prior to the delivery of any certificate(s) for the Shares. If a payment in satisfaction of an Award is to be made in cash, the payment will be net of an amount sufficient to satisfy federal, state, and local withholding tax requirements.

9.2 Stock Withholding. When, under applicable tax laws, a Participant incurs tax liability in connection with the exercise or vesting of any Award that is subject to tax withholding and the Participant is obligated to pay the Company the amount required to be withheld, the Committee may, in its sole discretion, allow the Participant to satisfy the minimum withholding tax obligation by electing to have the Company withhold from the Shares to be issued that number of Shares having a Fair Market Value equal to the minimum amount required to be withheld, determined on the date that the amount of tax to be withheld is to be determined. All elections by a Participant to have Shares withheld for this purpose shall be made in writing in a form acceptable to the Committee.

**10. PRIVILEGES OF STOCK OWNERSHIP.** No Participant or Authorized Transferee will have any rights as a stockholder of the Company with respect to any Shares until the Shares are issued to the Participant or Authorized Transferee. After Shares are issued to the Participant or Authorized Transferee, the Participant or Authorized Transferee will be a stockholder and have all the rights of a stockholder with respect to the Shares; provided, however, that if the Shares are Restricted Stock, any new, additional or different securities the Participant or Authorized Transferee may become entitled to receive with respect to the Shares by virtue of a stock dividend, stock split or any other change in the corporate or capital structure of the Company will be subject to the same restrictions as the Restricted Stock; provided further, that the Participant or Authorized Transferee will have no right to retain such dividends or distributions with respect to Shares that are repurchased at the Participant's original Exercise Price or Purchase Price pursuant to Section 14.

**11. TRANSFERABILITY.** Except as otherwise provided in this Section 11, no Award and no interest therein, shall be sold, pledged, assigned, hypothecated, transferred or disposed of in any manner other than by will or by the laws of descent and distribution, and no Award may be made subject to execution, attachment or similar process.

11.1 Awards Other Than NQSOs. All Awards other than NQSO's shall be exercisable (a) during a Participant's lifetime only by Participant or the Participant's guardian or legal representative; and (b) after Participant's death, by the legal representative of the Participant's heirs or legatees.

11.2 NQSOs. During a Participant's lifetime an NQSO shall be exercisable by Participant or the Participant's guardian or legal representative, and with the permission of the Committee, may be transferred to an Authorized Transferee.

**12. RESTRICTIONS ON SHARES.** At the discretion of the Committee, the Company may reserve to itself and/or its assignee(s) in the Award Agreement a right to repurchase all or a portion of a Participant's Shares that are not "Vested" (as defined in the Award Agreement), following the Participant's Termination, at any time within ninety days after the later of (i) the Participant's Termination Date or (ii) the date the Participant purchases Shares under the Plan, for cash or cancellation of purchase money indebtedness with respect to Shares, at the Participant's original Exercise Price or Purchase Price; provided that upon assignment of the right to repurchase, the assignee must pay the Company, upon assignment of the right to repurchase, cash equal to the excess of the Fair Market Value of the Shares over the original Purchase Price.

**13. CERTIFICATES.** All certificates for Shares or other securities delivered under the Plan (whether in physical or electronic form, as appropriate) will be subject to stock transfer orders, legends and other restrictions that the Committee deems necessary or advisable, including without limitation restrictions under any applicable federal, state or foreign securities law, or any rules, regulations and other requirements of the SEC or any stock exchange or automated quotation system on which the Shares may be listed.

**14. ESCROW; PLEDGE OF SHARES.** To enforce any restrictions on a Participant's Shares, the Committee may require the Participant to deposit all certificates representing Shares, together with stock powers or other transfer instruments approved by the Committee, appropriately endorsed in blank, with the Company or an agent designated by the Company, to hold in escrow until such restrictions have lapsed or terminated, and the Committee may cause a legend or legends referencing such restrictions to be placed on the certificates. Any Participant who is permitted to execute a promissory note as partial or full consideration for the purchase of Shares under the Plan will be required to pledge and deposit with the Company all or part of the Shares purchased as collateral to secure the payment of the Participant's obligation to the Company under the promissory note; provided,

however, that the Committee may require or accept other or additional forms of collateral to secure the payment of such obligation and, in any event, the Company will have full recourse against the Participant under the promissory note notwithstanding any pledge of the Participant's Shares or other collateral. In connection with any pledge of the Shares, the Participant will be required to execute and deliver a written pledge agreement in a form that the Committee has from time to time approved. The Shares purchased with the promissory note may be released from the pledge on a pro rata basis as the promissory note is paid.

**15. SECURITIES LAW AND OTHER REGULATORY COMPLIANCE.** An Award shall not be effective unless the Award is in compliance with all applicable state, federal and foreign securities laws, rules and regulations of any governmental body, and the requirements of any stock exchange or automated quotation system on which the Shares may then be listed, as they are in effect on the date of grant of the Award and also on the date of exercise or other issuance. Notwithstanding any other provision in the Plan, the Company shall have no obligation to issue or deliver certificates for Shares under the Plan prior to (a) obtaining any approvals from governmental agencies that the Company determines are necessary or advisable, and/or (b) completion of any registration or other qualification of such shares under any state, federal or foreign law or ruling of any governmental body that the Company determines to be necessary or advisable. The Company shall be under no obligation to register the Shares with the SEC or to effect compliance with the registration, qualification or listing requirements of any state, federal or foreign securities laws, stock exchange or automated quotation system, and the Company shall have no liability for any inability or failure to do so.

**16. NO OBLIGATION TO EMPLOY.** Nothing in the Plan or any Award granted under the Plan shall confer or be deemed to confer on any Participant any right to continue in the employ of, or to continue any other relationship with, the Company or any Parent or Subsidiary or limit in any way the right of the Company or any Parent or Subsidiary to terminate Participant's employment or other relationship at any time, with or without cause.

**17. EXCHANGE AND BUYOUT OF AWARDS.** The Committee may, at any time or from time to time, authorize the Company, with prior stockholder approval and the consent of the respective Participants, to issue new Awards in exchange for the surrender and cancellation of any or all outstanding Awards. The Committee may at any time buy from a Participant an Option previously granted with payment in cash, Shares or other consideration, based on such terms and conditions as the Committee and the Participant shall agree.

**18. CORPORATE TRANSACTIONS.**

18.1 Assumption or Replacement of Awards by Successor. In the event of a Corporate Transaction any or all outstanding Awards may be assumed or replaced by the successor corporation, which assumption or replacement shall be binding on all Participants. In the alternative, the successor corporation may substitute equivalent Awards or provide substantially similar consideration to Participants as was provided to stockholders (after taking into account the existing provisions of the Awards). The successor corporation may also issue, in place of outstanding Shares of the Company held by the Participant, substantially similar shares or other property subject to repurchase restrictions no less favorable to the Participant. In the event such successor corporation, if any, refuses to assume or replace the Awards, as provided above, pursuant to a Corporate Transaction or if there is no successor corporation due to a dissolution or liquidation of the Company, such Awards shall immediately vest as to 100% of the Shares subject thereto at such time and on such conditions as the Board shall determine and the Awards shall expire at the closing of the transaction or at the time of dissolution or liquidation.

18.2 Other Treatment of Awards. Subject to any greater rights granted to Participants under Section 18.1, in the event of a Corporate Transaction, any outstanding Awards shall be treated as provided in the applicable agreement or plan of merger, consolidation, dissolution, liquidation or sale of assets.

18.3 Assumption of Awards by the Company. The Company, from time to time, also may substitute or assume outstanding awards granted by another company, whether in connection with an acquisition of such other company or otherwise, by either (a) granting an Award under the Plan in substitution of such other company's award, or (b) assuming such award as if it had been granted under the Plan if the terms of such assumed award could be applied to an Award granted under the Plan. Such substitution or assumption shall be permissible if the holder of the substituted or assumed award would have been eligible to be granted an Award under the Plan if the

other company had applied the rules of the Plan to such grant. In the event the Company assumes an award granted by another company, the terms and conditions of such award shall remain unchanged (except that the exercise price and the number and nature of Shares issuable upon exercise of any such option will be adjusted appropriately pursuant to Section 424(a) of the Code). In the event the Company elects to grant a new Option rather than assuming an existing option, such new Option may be granted with a similarly adjusted Exercise Price.

**19. ADOPTION AND STOCKHOLDER APPROVAL.** The Plan was adopted by the Board on October 24, 2001 (the "Adoption Date"). The Plan became effective upon approval by stockholders of the Company, consistent with applicable laws, on January 18, 2002 (the "Effective Date").

**20. TERM OF PLAN.** The Plan will terminate ten years from the Adoption Date.

**21. AMENDMENT OR TERMINATION OF PLAN.** The Board may at any time terminate or amend the Plan in any respect, including without limitation amendment of any form of Award Agreement or instrument to be executed pursuant to the Plan. In addition, pursuant to Section 4.1(k), the Board has delegated to the Committee the authority to make certain amendments to the Plan. Notwithstanding the foregoing, neither the Board nor the Committee shall, without the approval of the stockholders of the Company, amend the Plan in any manner that requires such stockholder approval pursuant to the Code or the regulations promulgated thereunder as such provisions apply to ISO plans, or pursuant to the Exchange Act or any rule promulgated thereunder. In addition, no amendment that is detrimental to a Participant may be made to any outstanding Award without the consent of the Participant.

**22. NONEXCLUSIVITY OF THE PLAN; UNFUNDED PLAN.** Neither the adoption of the Plan by the Board, the submission of the Plan to the stockholders of the Company for approval, nor any provision of the Plan shall be construed as creating any limitations on the power of the Board to adopt such additional compensation arrangements as it may deem desirable, including, without limitation, the granting of stock options and bonuses otherwise than under the Plan, and such arrangements may be either generally applicable or applicable only in specific cases. The Plan shall be unfunded. Neither the Company nor the Board shall be required to segregate any assets that may at any time be represented by Awards made pursuant to the Plan. Neither the Company, the Committee, nor the Board shall be deemed to be a trustee of any amounts to be paid under the Plan.

**23. DEFINITIONS.** As used in the Plan, the following terms shall have the following meanings:

- (a) "Authorized Transferee" means the permissible recipient, as authorized by this Plan and the Committee, of an NQSO that is transferred during the Participant's lifetime by the Participant by gift or domestic relations order. For purposes of this definition a "permissible recipient" is: (i) a child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law of the Participant, including any such person with such relationship to the Participant by adoption; (ii) any person (other than a tenant or employee) sharing the Participant's household; (iii) a trust in which the persons in (i) or (ii) have more than fifty percent of the beneficial interest; (iv) a foundation in which the persons in (i) or (ii) or the Participant control the management of assets; or (v) any other entity in which the person in (i) or (ii) or the Participant own more than fifty percent of the voting interest.
- (b) "Award" means any award under the Plan, including any Option, Restricted Stock or Stock Bonus.
- (c) "Award Agreement" means, with respect to each Award, the signed written agreement between the Company and the Participant setting forth the terms and conditions of the Award.
- (d) "Board" means the Board of Directors of the Company.
- (e) "Code" means the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

- (f) “Committee” means the committee appointed by the Board to administer the Plan, or if no committee is appointed, the Board. Each member of the Committee shall be (i) a “non-employee director” for purposes of Section 16 and Rule 16b-3 of the Exchange Act, and (ii) an “outside director” for purposes of Section 162(m) of the Code, unless the Board has fewer than two such outside directors.
- (g) “Company” means Intuit Inc., a corporation organized under the laws of the State of Delaware, or any successor corporation.
- (h) “Corporate Transaction” means (a) a merger or consolidation in which the Company is not the surviving corporation (other than a merger or consolidation with a wholly-owned subsidiary, a reincorporation of the Company in a different jurisdiction, or other transaction in which there is no substantial change in the stockholders of the Company and the Awards granted under the Plan are assumed or replaced by the successor corporation, which assumption shall be binding on all Participants), (b) a dissolution or liquidation of the Company, (c) the sale of substantially all of the assets of the Company, (d) a merger in which the Company is the surviving corporation but after which the stockholders of the Company immediately prior to such merger (other than any stockholder that merges, or which owns or controls another corporation that merges, with the Company in such merger) cease to own their shares or other equity interest in the Company; or (e) any other transaction which qualifies as a “corporate transaction” under Section 424(a) of the Code wherein the stockholders of the Company give up all of their equity interest in the Company (except for the acquisition, sale or transfer of all or substantially all of the outstanding shares of the Company).
- (i) “Disability” means a disability within the meaning of Section 22(e)(3) of the Code, as determined by the Committee.
- (j) “Exchange Act” means the Securities Exchange Act of 1934, as amended, and the regulations promulgated thereunder.
- (k) “Executive Officer” means a person who is an “executive officer” of the Company as defined in Rule 3b-7 promulgated under the Exchange Act.
- (l) “Exercise Price” means the price at which a Participant who holds an Option may purchase the Shares issuable upon exercise of the Option.
- (m) “Fair Market Value” means, as of any date, the value of a share of the Company’s Common Stock determined as follows:
- (1) if such Common Stock is then quoted on the NASDAQ National Market, its last reported sale price on the NASDAQ National Market on such date or, if no such reported sale takes place on such date, the average of the closing bid and asked prices;
  - (2) if such Common Stock is publicly traded and is then listed on a national securities exchange, the last reported sale price on such date or, if no such reported sale takes place on such date, the average of the closing bid and asked prices on the principal national securities exchange on which the Common Stock is listed or admitted to trading;
  - (3) if such Common Stock is publicly traded but is not quoted on the NASDAQ National Market nor listed or admitted to trading on a national securities exchange, the average of the closing bid and asked prices on such date, as reported by The Wall Street Journal, for the over-the-counter market; or
  - (4) if none of the foregoing is applicable, by the Board of Directors in good faith.

- (n) "Insider" means an officer or director of the Company or any other person whose transactions in the Company's Common Stock are subject to Section 16 of the Exchange Act.
- (o) "ISO" means an Incentive Stock Option within the meaning of the Code.
- (p) "NASD Dealer" means broker-dealer that is a member of the National Association of Securities Dealers, Inc.
- (q) "NQSO" means a nonqualified stock option that does not qualify as an Incentive Stock Option within the meaning of the Code.
- (r) "Option" means an award of an option to purchase Shares pursuant to Section 5 of the Plan.
- (s) "Parent" means any corporation (other than the Company) in an unbroken chain of corporations ending with the Company, if at the time of the granting of an Award under the Plan, each of such corporations other than the Company owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.
- (t) "Participant" means a person who receives an Award under the Plan.
- (u) "Performance Award" means an award of Shares, or cash in lieu of Shares, pursuant to Section 8 of the Plan.
- (v) "Performance Factors" means the factors selected by the Committee from among the following measures to determine whether the performance goals established by the Committee and applicable to Awards have been satisfied:
  - (1) Net revenue and/or net revenue growth;
  - (2) Earnings before income taxes and amortization and/or earnings before income taxes and amortization growth;
  - (3) Operating income and/or operating income growth;
  - (4) Net income and/or net income growth;
  - (5) Earnings per share and/or earnings per share growth;
  - (6) Total stockholder return and/or total stockholder return growth;
  - (7) Return on equity;
  - (8) Operating cash flow return on income;
  - (9) Adjusted operating cash flow return on income;
  - (10) Economic value added; and
  - (11) Individual business objectives.
- (w) "Performance Period" means the period of service determined by the Committee, not to exceed five years, during which years of service or performance is to be measured for Restricted Stock Awards or Stock Bonuses.
- (x) "Plan" means this Intuit 2002 Equity Incentive Plan, as amended from time to time.

- (y) "Prospectus" means the prospectus relating to the Plan, as amended from time to time, that is prepared by the Company and delivered or made available to Participants pursuant to the requirements of the Securities Act.
- (z) "Purchase Price" means the price to be paid for Shares acquired under the Plan, other than Shares acquired upon exercise of an Option.
- (aa) "Restricted Stock Award" means an award of Shares pursuant to Section 6 of the Plan.
- (bb) "SEC" means the Securities and Exchange Commission.
- (cc) "Securities Act" means the Securities Act of 1933, as amended, and the regulations promulgated thereunder.
- (dd) "Shares" means shares of the Company's Common Stock \$0.01 par value, reserved for issuance under the Plan, as adjusted pursuant to Sections 2 and 19, and any successor security.
- (ee) "Stock Bonus" means an award of Shares, or cash in lieu of Shares, pursuant to Section 7 of the Plan.
- (ff) "Subsidiary" means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if, at the time of granting of the Award, each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.
- (gg) "Ten Percent Stockholder" means any person who directly or by attribution owns more than ten percent of the total combined voting power of all classes of stock of the Company or any Parent or Subsidiary.
- (hh) "Termination" or "Terminated" means, for purposes of the Plan with respect to a Participant, that the Participant has ceased to provide services as an employee, director, consultant, independent contractor or adviser, to the Company or a Parent or Subsidiary; provided that a Participant shall not be deemed to be Terminated if the Participant is on a leave of absence approved by the Committee or by an officer of the Company designated by the Committee; and provided further, that during any approved leave of absence, vesting of Awards shall be suspended or continue in accordance with guidelines established from time to time by the Committee. Subject to the foregoing, the Committee shall have sole discretion to determine whether a Participant has ceased to provide services and the effective date on which the Participant ceased to provide services (the "Termination Date").