

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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**FORM 10-Q**

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

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*(Exact name of registrant as specified in its charter)*

**Delaware**

**77-0034661**

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*(State of incorporation)*

*(IRS employer identification no.)*

**2535 Garcia Avenue, Mountain View, CA 94043**

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*(Address of principal executive offices)*

**(650) 944-6000**

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*(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 198,493,971 shares of Common Stock, \$0.01 par value, as of November 30, 2003

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

[ITEM 5 OTHER MATTERS](#)

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

[SIGNATURES](#)

[EXHIBIT INDEX](#)

[EXHIBIT 10.01](#)

[EXHIBIT 10.02](#)

[EXHIBIT 10.03](#)

[EXHIBIT 10.04](#)

[EXHIBIT 31.01](#)

[EXHIBIT 31.02](#)

[EXHIBIT 32.01](#)

[EXHIBIT 32.02](#)

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[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, 2003 and October 31, 2003
	Condensed Consolidated Statements of Operations for the three months ended October 31, 2002 and 2003
	Condensed Consolidated Statements of Cash Flows for the three months ended October 31, 2002 and 2003
	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
<b>PART II</b>	<b>OTHER INFORMATION</b>
ITEM 1:	Legal Proceedings
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

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**INTUIT INC.**  
CONDENSED CONSOLIDATED BALANCE SHEETS

	July 31, 2003	October 31, 2003
(In thousands; unaudited)		
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 170,043	\$ 147,607
Short-term investments	1,036,758	770,008
Marketable securities	865	1,028
Customer deposits	306,007	283,154
Accounts receivable, net	88,156	76,828
Deferred income taxes	34,824	34,741
Prepaid expenses and other current assets	32,217	52,831
	<hr/>	<hr/>
Total current assets	1,668,870	1,366,197
Property and equipment, net	188,253	188,997
Goodwill, net	591,091	691,322
Purchased intangibles, net	125,445	132,467
Long-term deferred income taxes	183,061	183,061
Loans to executive officers and other employees	19,690	19,410
Other assets	13,857	18,229
	<hr/>	<hr/>
Total assets	\$2,790,267	\$2,599,683
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 56,786	\$ 84,633
Accrued compensation and related liabilities	118,678	68,293
Payroll service obligations	306,007	283,154
Deferred revenue	178,840	183,189
Income taxes payable	76,725	42,248
Other current liabilities	59,129	58,767
	<hr/>	<hr/>
Total current liabilities	796,165	720,284
Long-term obligations	29,265	31,058
	<hr/>	<hr/>
Commitments and contingencies		
Stockholders' equity:		
Preferred stock	—	—
Common stock and additional paid-in capital	1,921,554	1,928,849
Treasury shares, at cost	(672,326)	(724,990)
Deferred compensation	(25,850)	(23,780)
Accumulated other comprehensive income (loss)	(789)	(1,539)
Retained earnings	742,248	669,801
	<hr/>	<hr/>
Total stockholders' equity	1,964,837	1,848,341
	<hr/>	<hr/>
Total liabilities and stockholders' equity	\$2,790,267	\$2,599,683
	<hr/>	<hr/>

See accompanying notes.

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

	Three Months Ended October 31,	
	2002	2003
(In thousands, except per share amounts; unaudited)		
Net revenue:		
Product	\$141,903	\$160,185
Service	55,604	66,267
Other	15,365	16,076
Total net revenue	<u>212,872</u>	<u>242,528</u>
Costs and expenses:		
Cost of revenue:		
Cost of product revenue	28,712	32,018
Cost of service revenue	36,612	35,836
Cost of other revenue	4,590	6,784
Amortization of purchased software	2,977	3,289
Customer service and technical support	39,630	40,991
Selling and marketing	74,821	91,949
Research and development	64,127	71,331
General and administrative	39,616	43,695
Charge for purchased research and development	7,789	—
Acquisition-related charges	9,455	6,049
Total costs and expenses	<u>308,329</u>	<u>331,942</u>
Loss from continuing operations	(95,457)	(89,414)
Interest and other income	8,786	7,490
Gains on marketable securities and other investments, net	253	147
Loss from continuing operations before income taxes	(86,418)	(81,777)
Income tax benefit	(25,969)	(27,812)
Net loss from continuing operations	(60,449)	(53,965)
Discontinued operations, net of income taxes (Note 6):		
Gain on disposal of Quicken Loans discontinued operations	5,556	—
Net income from Intuit KK discontinued operations	208	—
Net income from discontinued operations	<u>5,764</u>	<u>—</u>
Net loss	<u>\$ (54,685)</u>	<u>\$ (53,965)</u>
Basic and diluted net loss per share from continuing operations	\$ (0.29)	\$ (0.27)
Basic and diluted net income per share from discontinued operations	0.03	—
Basic and diluted net loss per share	<u>\$ (0.26)</u>	<u>\$ (0.27)</u>
Shares used in basic and diluted per share amounts	<u>207,965</u>	<u>198,747</u>

See accompanying notes.

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

	Three Months Ended October 31,	
	2002	2003
(In thousands; unaudited)		
Cash flows from operating activities:		
Net loss from continuing operations	\$ (60,449)	\$ (53,965)
Adjustments to reconcile net loss from continuing operations to net cash used in operating activities:		
Acquisition-related charges	9,455	6,049
Amortization of purchased software	2,977	3,289
Amortization of other purchased intangible assets	—	1,460
Charge for purchased research and development	7,789	—
Amortization of deferred compensation not related to acquisitions	634	1,561
Depreciation	18,379	19,745
Loss on disposal of property and equipment	1,786	1,257
Net gains from marketable securities and other investments	(253)	(147)
Deferred income taxes	5,967	—
Tax benefit from employee stock options	16,431	7,523
Subtotal	2,716	(13,228)
Changes in operating assets and liabilities:		
Customer deposits	(7,740)	22,853
Accounts receivable	(4,428)	12,838
Income taxes receivable	(54,977)	—
Prepaid expenses and other current assets	13,839	(17,422)
Accounts payable	2,707	25,920
Accrued compensation and related liabilities	(13,372)	(50,389)
Payroll service obligations	7,736	(22,853)
Deferred revenue	(390)	4,349
Income taxes payable	—	(34,477)
Other current liabilities	300	(2,723)
Total changes in operating assets and liabilities	(56,325)	(61,904)
<b>Net cash used in operating activities</b>	<b>(53,609)</b>	<b>(75,132)</b>
Cash flows from investing activities:		
Change in other assets	(2,343)	(3,908)
Purchases of property and equipment	(27,788)	(21,105)
Purchases of short-term investments	(279,300)	(534,373)
Liquidation and maturity of short-term investments	569,687	801,237
Acquisitions of businesses, net of cash acquired	(171,742)	(117,998)
Net cash provided by investing activities	88,514	123,853
Cash flows from financing activities:		
Change in long-term obligations	(317)	1,793
Net proceeds from issuance of common stock	43,328	31,935
Purchase of treasury stock	(300,349)	(103,072)
<b>Net cash used in financing activities</b>	<b>(257,338)</b>	<b>(69,344)</b>
Net cash provided by discontinued operations	96,919	—
Effect of foreign currency translation	(318)	(1,813)
Net decrease in cash and cash equivalents	(125,832)	(22,436)
Cash and cash equivalents at beginning of period	408,948	170,043
<b>Cash and cash equivalents at end of period</b>	<b>\$ 283,116</b>	<b>\$ 147,607</b>

See accompanying notes.

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

**1. Summary of Significant Accounting Policies**

*Basis of Presentation*

The condensed consolidated financial statements include the financial statements of Intuit and its wholly owned subsidiaries. We have eliminated all significant intercompany balances and transactions in consolidation. We have reclassified certain other amounts previously reported in our financial statements to conform to the current presentation. As discussed in Note 6, we sold our Quicken Loans mortgage business in July 2002 and our Japanese subsidiary, Intuit KK, in February 2003 and accounted for the sales of these businesses as discontinued operations. 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 adjustments for discontinued operations described in Note 6 that we considered necessary to give a fair presentation of our operating results for the periods presented. These condensed consolidated financial statements and accompanying notes should be read together with the audited consolidated financial statements for the fiscal year ended July 31, 2003 included in Intuit's Form 10-K, filed with the Securities and Exchange Commission on September 19, 2003. Results for the three months ended October 31, 2003 do not necessarily indicate the results we expect for the fiscal year ending July 31, 2004 or any other future period. Our tax businesses are highly seasonal, with sales of tax preparation products and services 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 fiscal quarters.

*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 in determining the fair value of undelivered elements in multiple element arrangements, the appropriate levels of reserves for product returns and rebates, the collectibility of accounts receivable, the realizability of deferred tax assets, the appropriate levels of various accruals and the remaining economic lives and carrying values of purchased intangible assets, 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 1, "*Stock-Based Incentive Programs*." Despite our intention to establish accurate estimates and use reasonable 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.

## [Table of Contents](#)

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. Deferred revenue consisted of the following at the dates indicated:

	July 31, 2003	October 31, 2003
(In thousands)		
Customer support	\$ 24,643	\$ 22,704
Payroll-related	68,117	55,868
Professional tax advance payments	56,877	66,043
Other	29,203	38,574
	<u>\$178,840</u>	<u>\$183,189</u>

In accordance with Financial Accounting Standards Board (“FASB”) Emerging Issues Task Force (“EITF”) 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 unless we receive a benefit that we can identify and reasonably estimate.

### Product Revenue

We typically recognize revenue from the sale of our packaged software products and supplies when we ship the products. 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, return rates for prior releases of the product, trends in retailer inventory and economic trends that might impact customer demand for our products (including the competitive environment and the timing of new releases of our product). 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 and historical redemption trends by product and by type of promotional program.

### 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 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 when we collect these funds from customers and when we remit the funds to outside parties.

We offer several technical support plans and recognize support revenue over the life of the plans. Service revenue also includes revenue from consulting, training and Web services such as TurboTax for the Web and electronic tax filing services. We generally recognize revenue as these services are performed, provided that we have no other remaining obligations to these customers and that the services performed are not essential to the functionality of delivered products and services.

### Other Revenue

Other revenue consists primarily of revenue from revenue-sharing arrangements with third-party service providers and from online advertising agreements. We recognize transaction fees from revenue sharing arrangements as end-user sales are reported to us by these partners. We typically recognize revenue from online advertising agreements as the advertisements are served or pro rata based on the contractual time period, whichever is less.



## Table of Contents

### Multiple Element Arrangements

We 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 defer the full 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; and (4) we have an enforceable claim to receive the amount due in the event that we do not deliver the undelivered products or services.

For arrangements where undelivered services are essential to the functionality of delivered software, we recognize both the product license revenues and service revenues under the percentage of completion contract method in accordance with the provisions of SOP 81-1, “*Accounting for Performance of Construction Type and Certain Production Type Contracts.*” To date, product license and service revenues recognized pursuant to SOP 81-1 have not been significant.

### *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 product revenue on our statement of operations. Product revenue from shipping and handling totaled \$3.6 million in the first quarter of fiscal 2003 and \$4.0 million in the first quarter of fiscal 2004.

### *Per Share Computations*

We compute basic income or loss per share using the weighted average number of common shares outstanding during the period. We compute diluted income or loss per share using the weighted average number of common and dilutive common equivalent shares outstanding during the period. Common equivalent shares consist of the shares issuable upon the exercise of stock options under the treasury stock method and vested restricted stock awards. In loss periods, basic and diluted loss per share are identical since the effect of common equivalent shares is anti-dilutive and therefore excluded.

For the first quarter of fiscal 2003 and 2004, we excluded 12.0 million and 10.8 million common equivalent shares from our diluted per share computations because we experienced net losses in those periods.

### *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. 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. In accordance with Statement of Financial Accounting Standards (“SFAS”) No. 142, “*Goodwill and Other Intangible*

## [Table of Contents](#)

Assets,” we review goodwill and other intangible assets that have indefinite useful lives for impairment at least annually in the fourth quarter, or more frequently if an event occurs indicating the potential for impairment. In accordance with SFAS 144, “Accounting for the Impairment or Disposal of Long-Lived Assets,” we review intangible assets that have finite useful lives and other long-lived assets when an event occurs indicating the potential for impairment. In our reviews, 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 losses related to long-lived assets based on the amount by which the carrying amounts of these 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 Programs*

We provide equity incentives to our employees (including those we hire as a result of acquisitions) and to our Board members. We apply the intrinsic value recognition and measurement principles of Accounting Principles Board (“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 our 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 offering period or at the end of each purchase period.

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 or loss and net income or 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 first quarter of fiscal 2003 and 2004 does not necessarily represent the pro forma impact in future quarters or years.

To determine the pro forma impact, we estimate the fair value of our options using the Black-Scholes option valuation model. This 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. Our stock options have characteristics significantly different from those of traded options, and changes in the subjective input assumptions can materially affect the fair value estimates.

Inputs used for the valuation model are set forth in the tables below. We base the volatility factor for stock options on the historical volatility of our stock over the most recent five-year period, which is approximately equal to the maximum expected life of our options. There were no Employee Stock Purchase Plan inputs for the first quarter of fiscal 2003 because there were no purchases during that quarter.

	Options		Employee Stock Purchase Plan	
	Three Months Ended		Three Months Ended	
	October 31, 2002	October 31, 2003	October 31, 2002	October 31, 2003
Expected life (years)	1.91 - 4.91	1.95 - 4.95	N/A	1.00
Expected volatility factor	0.78	0.74	N/A	0.76
Risk-free interest rate (%)	1.12 - 2.65	1.32 - 2.86	N/A	0.97
Expected dividend yield (%)	—	—	N/A	—

The following table illustrates the effect on our net income or loss and net income or 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 or loss all stock-based

[Table of Contents](#)

incentive expense we have recorded that relates to acquisitions. We then deduct the pro forma stock-based incentive expense determined under the fair value method for all awards including those that relate to acquisitions. 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 or loss.

	Three Months Ended	
	October 31, 2002	October 31, 2003
(In thousands, except per share amounts)		
<b>Net loss</b>		
Net loss, as reported	\$(54,685)	\$(53,965)
Add: Stock-based employee compensation expense included in reported net loss, net of income taxes	937	163
Deduct: Total stock-based employee compensation expense determined under fair value method for all awards, net of income taxes	(22,875)	(21,386)
Pro forma net loss	<u>\$(76,623)</u>	<u>\$(75,188)</u>
<b>Net loss per share</b>		
Basic and diluted - as reported	<u>\$ (0.26)</u>	<u>\$ (0.27)</u>
Basic and diluted - pro forma	<u>\$ (0.37)</u>	<u>\$ (0.38)</u>

*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. Our portfolio of short-term investments consists primarily of investment-grade securities. Except for direct obligations of the United States government, securities issued by agencies of the United States government, and money market or cash management funds, we diversify our short-term investments by limiting our holdings with any individual issuer to a maximum of \$5.0 million in each of our three managed portfolios.

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 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 many retailers rather than through a few major distributors. No distributor or individual retailer accounted for 10% or more of total net revenue in the first quarter of fiscal 2003 or 2004, nor did any customer account for 10% or more of accounts receivable at July 31, 2003 or October 31, 2003. Amounts due from Rock Acquisition Corporation under certain licensing and distribution agreements comprised 10.8% of accounts receivable at July 31, 2003. 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

## [Table of Contents](#)

significant negative impact on our revenue and profitability if that vendor fails to perform at acceptable service levels for any reason, including financial difficulties of the vendor.

### *Recent Accounting Pronouncements*

In November 2002, the EITF reached a consensus on Issue No. 00-21, "Revenue Arrangements with Multiple Deliverables." Issue 00-21 provides guidance on accounting for arrangements that involve the delivery or performance of multiple products, services and/or rights to use assets. The provisions of Issue 00-21 apply to revenue arrangements entered into in fiscal periods beginning after June 15, 2003. We adopted Issue 00-21 effective August 1, 2003 and the adoption of this standard did not have a material effect on our financial position, results of operations or cash flows.

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 December 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 anticipate that the adoption of FIN 46 will not have a material impact on our financial position, results of operations or cash flows.

In April 2003, the FASB issued SFAS 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." SFAS 149 is intended to result in more consistent reporting of contracts as either freestanding derivative instruments subject to SFAS 133 in its entirety, or as hybrid instruments with debt host contracts and embedded derivative features. In addition, SFAS 149 clarifies the definition of a derivative by providing guidance on the meaning of initial net investments related to derivatives. SFAS 149 is effective for contracts entered into or modified after June 30, 2003. We adopted SFAS 149 effective August 1, 2003 and the adoption of this statement did not have a material effect on our financial position, results of operations or cash flows.

## **2. Short-Term Investments**

As discussed in Note 1, "Concentration of Credit Risk and Significant Customers and Suppliers," our portfolio of short-term investments consists primarily of investment-grade securities. Except for direct obligations of the United States government, securities issued by agencies of the United States government, and money market or cash management funds, we diversify our short-term investments by limiting our holdings with any individual issuer to a maximum of \$5.0 million in each of our three managed portfolios.

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

	July 31, 2003	October 31, 2003
(In thousands)		
Corporate notes	\$ 50,471	\$ —
Municipal bonds	931,374	732,214
U.S. government securities	54,913	37,794
	<u>\$1,036,758</u>	<u>\$770,008</u>

[Table of Contents](#)

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:

	July 31, 2003	October 31, 2003
(In thousands)		
Due within one year	\$ 241,110	\$226,144
Due within two years	270,900	200,055
Due within three years	3,088	5,969
Due after three years	521,660	337,840
	<u>\$1,036,758</u>	<u>\$770,008</u>

Unrealized gains and losses on short-term investments at July 31, 2003 and October 31, 2003 were not material. Realized gains and losses from the sale of short-term investments were not material in the first quarter of fiscal 2003 or in the first quarter of fiscal 2004.

### 3. Goodwill and Intangible Assets

Changes in the carrying value of goodwill by reportable segment during the first quarter of fiscal 2004 were as follows. Our reportable segments are described in Note 7.

	Balance July 31, 2003	Increase (Decrease) in Goodwill	Effect of Exchange Rates	Balance October 31, 2003
(In thousands)				
Small Business Products and Services	\$308,785	\$99,590	\$ —	\$408,375
Consumer Tax	11,204	113	—	11,317
Professional Accounting Solutions	90,507	—	—	90,507
Vertical Business Management Solutions	170,522	(116)	—	170,406
Other Businesses	10,073	—	644	10,717
	<u>\$591,091</u>	<u>\$99,587</u>	<u>\$ 644</u>	<u>\$691,322</u>

The net increase in goodwill was related primarily to our purchase of Innovative Merchant Solutions LLC. See Note 5.

[Table of Contents](#)

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

(Dollars in thousands)	Life in Years	July 31, 2003	October 31, 2003
Customer lists	3-7	\$ 171,237	\$ 187,657
Less accumulated amortization		(105,771)	(112,409)
		65,466	75,248
Purchased technology	1-7	143,605	143,621
Less accumulated amortization		(93,694)	(96,999)
		49,911	46,622
Trade names and logos	1-10	17,199	17,293
Less accumulated amortization		(10,293)	(11,064)
		6,906	6,229
Covenants not to compete	2-5	9,410	11,271
Less accumulated amortization		(6,248)	(6,903)
		3,162	4,368
Total purchased intangible assets		341,451	359,842
Total accumulated amortization		(216,006)	(227,375)
Total net purchased intangible assets		\$ 125,445	\$ 132,467

The increases in customer lists and covenants not to compete during the first quarter of fiscal 2004 were due primarily to our acquisition of Innovative Merchant Solutions LLC. See Note 5.

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

(In thousands)	Three Months Ended	
	October 31, 2002	October 31, 2003
Amortization of purchased intangible assets	\$ 7,893	\$ 5,777
Amortization of acquisition-related deferred compensation	1,562	272
Total acquisition-related charges	\$ 9,455	\$ 6,049

We expect annual amortization of our purchased intangible assets by fiscal year to be as shown in the following table. Amortization of purchased intangible assets is charged primarily to amortization of purchased software in cost of revenue and to acquisition-related charges in operating expenses on our statement of operations. Future acquisitions could cause these amounts to increase. In addition, if impairment events occur they could accelerate the timing of charges.

(Dollars in thousands)	Expected Amortization Expense
<b>Fiscal year ending July 31,</b>	
2004	\$ 42,464
2005	35,929
2006	29,898
2007	19,106
2008	9,265
Thereafter	6,313
Total expected future amortization expense	\$142,975

[Table of Contents](#)

**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 on our statement of operations.

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

	Marketable Securities	Short-term Investments	Foreign Currency Translation	Total
(In thousands)				
<b>Three months ended October 31, 2002</b>				
Beginning balance, net of income taxes	\$(4,845)	\$ 2,058	\$ (888)	\$(3,675)
Unrealized gain, net of income tax provision of \$4,262	6,393	—	—	6,393
Unrealized loss, net of income tax benefit of \$790	—	(1,184)	—	(1,184)
Translation adjustment	—	—	(158)	(158)
Other comprehensive income (loss)	6,393	(1,184)	(158)	5,051
Ending balance, net of income taxes	\$ 1,548	\$ 874	\$(1,046)	\$ 1,376
<b>Three months ended October 31, 2003</b>				
Beginning balance, net of income taxes	\$ 105	\$ 213	\$(1,107)	\$ (789)
Unrealized gain, net of income tax provision of \$65 and \$40	98	74	—	172
Translation adjustment	—	—	(922)	(922)
Other comprehensive income (loss)	98	74	(922)	(750)
Ending balance, net of income taxes	\$ 203	\$ 287	\$(2,029)	\$(1,539)

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

	Three Months Ended	
	October 31, 2002	October 31, 2003
(In thousands)		
Net loss	\$(54,685)	\$(53,965)
Other comprehensive income (loss)	5,051	(750)
Comprehensive net loss, net of income taxes	\$(49,634)	\$(54,715)
Income tax provision netted against other comprehensive income (loss)	\$ 3,472	\$ 105

**5. Acquisition**

On October 4, 2003, we acquired all of the partnership interests of Innovative Merchant Solutions LLC and a related entity doing business as Innovative Gateway Solutions (together, "IMS") for an aggregate purchase price of approximately \$116.7 million in cash. Of the total purchase price, \$86.3 million was paid to IMS and \$30.4 million was deposited in a third-party escrow account at closing. Of the cash deposited into escrow, \$10.4 million is payable to IMS in January 2005 and the remaining \$20.0 million will be paid to former IMS partners from escrow in

## [Table of Contents](#)

installments of \$12.0 million and \$8.0 million in October 2004 and October 2005 upon the satisfaction of certain operating contingencies.

IMS offers a full range of merchant account services to small businesses nationwide, including credit and debit card processing services. We acquired IMS as part of our Right for My Business strategy to offer a wider range of business solutions for small businesses. IMS became part of our Small Business Products and Services segment.

On a preliminary basis, we allocated approximately \$17.3 million of the IMS purchase price to identified intangible assets and recorded the excess purchase price of \$98.4 million as goodwill. We do not expect that any adjustments to the purchase price or the purchase price allocation will be material. The identified intangible assets are being amortized over terms ranging from two to four years. All of the goodwill acquired in this transaction will be deductible for income tax purposes.

IMS's results of operations from the date of acquisition forward have been included in our consolidated results of operations and were not material. IMS'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 IMS acquisition was as follows:

(In thousands)	Purchase Price Allocation
Tangible assets	\$ 5,393
Intangible assets:	
Goodwill	98,366
Customer lists	15,600
Covenant not to compete	1,700
Acquisition costs	(500)
Other tangible liabilities	(3,860)
	<hr/>
Cash consideration paid	\$116,699
	<hr/>

## 6. Discontinued Operations

### *Quicken Loans*

In July 2002, we sold 87.5% of our Quicken Loans mortgage business to Rock Acquisition Corporation. We retained a 12.5% non-voting equity interest in Rock, which we accounted for on a cost basis. In October 2002, we sold our minority interest in Rock to Rock's majority shareholders and recorded a \$5.6 million gain on the transaction.

Concurrent with the sale, Rock licensed the right to use our Quicken Loans trademark for its residential home loan and home equity loan products. We also entered into a five-year distribution agreement with Rock through which it will provide mortgage services on Quicken.com. We will receive a minimum royalty of \$1.75 million a year for five years under the licensing agreement and minimum fees of \$0.75 million a year under the distribution agreement. The royalties from the licensing agreement and the fees from the distribution agreement are recorded as earned and classified as other income on our statement of operations. We recorded no royalties or fees under these agreements in the first quarter of fiscal 2003. In the first quarter of 2004, we recorded royalties of \$0.4 million under the trademark licensing agreement and fees of \$0.3 million under the distribution agreement. Royalties and fees due from Rock under these agreements totaled \$9.5 million at July 31, 2003 and \$0.7 million at October 31, 2003 and are included in accounts receivable on our balance sheet.



## [Table of Contents](#)

### *Intuit KK*

In February 2003, we sold all of the outstanding stock of our wholly owned Japanese subsidiary, Intuit KK, for 9.5 billion yen or approximately \$79.0 million. Intuit KK was part of our Other Businesses segment. In accordance with the provisions of SFAS 144, we accounted for the sale as discontinued operations. The net assets, operating results and cash flows of Intuit KK have therefore been segregated from continuing operations on our balance sheets, statements of operations and statements of cash flows for all periods prior to the sale. Revenue and net income before income taxes for Intuit KK were \$10.4 million and \$0.4 million for the first quarter of fiscal 2003.

## **7. Industry Segment and Geographic Information**

SFAS 131, "Disclosures about Segments of an Enterprise and Related Information," establishes standards for the way in which public companies disclose certain information about operating segments in their financial reports. Consistent with SFAS 131, 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. We define the chief operating decision maker as our chief executive officer, the office of the chief executive officer, our chief financial officer, certain executives reporting directly to our chief executive officer and our Board of Directors.

All reportable segments except Small Business Products and Services, Vertical Business Management Solutions and Other Businesses operate solely in the United States. All segments sell primarily to customers located in the United States. International total net revenue was less than 5% of consolidated total net revenue for all periods presented.

QuickBooks product revenue is derived primarily from QuickBooks desktop software products. QuickBooks service 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 information technology management software. Service revenue for this segment is derived primarily from outsourced payroll services and from QuickBooks support plans. Other revenue for this segment consists of royalties from small business online transactions, including Merchant Account Services.

Consumer Tax product revenue is derived primarily from TurboTax federal and state consumer desktop tax return preparation software. Consumer Tax service revenue is derived primarily from TurboTax for the Web online tax return preparation services and consumer electronic filing services. Other revenue for this segment is nominal.

Professional Accounting Solutions product revenue is derived primarily from ProSeries and Lacerte professional tax preparation software products. Professional Accounting Solutions service 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 selected industries, which we call "Verticals." Those businesses are Intuit Distribution Management Solutions, MRI Real Estate Solutions, Intuit Construction Business Solutions and Intuit Public Sector Solutions. VBMS product revenue is derived from business management software for these industries. VBMS service revenue consists primarily of technical support, 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 service revenue is nominal while Personal Finance 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 and TaxWiz consumer desktop tax return preparation software and ProFile professional tax preparation products. Service 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.

[Table of Contents](#)

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, we do not generally track assets by reportable segment and, consequently, we do not disclose assets by reportable segment.

The following tables show our financial results by reportable segment for the first quarter of fiscal 2003 and 2004.

Three months ended October 31, 2002	QuickBooks	Small Business Products & Services	Consumer Tax	Professional Accounting Solutions	Vertical Business Mgmt Solutions	Other Businesses	Corporate	Consolidated
<b>(In thousands)</b>								
Product revenue	\$37,838	\$ 58,388	\$ 3,855	\$ 6,350	\$ 5,630	\$29,842	\$ —	\$141,903
Service revenue	581	38,530	2,005	112	13,168	1,208	—	55,604
Other revenue	—	4,290	195	—	5	10,875	—	15,365
Total net revenue	38,419	101,208	6,055	6,462	18,803	41,925	—	212,872
Segment operating income (loss)	5,605	32,786	(15,070)	(16,748)	(7,212)	5,149	—	4,510
Common expenses	—	—	—	—	—	—	(79,746)	(79,746)
Subtotal	5,605	32,786	(15,070)	(16,748)	(7,212)	5,149	(79,746)	(75,236)
Acquisition-related costs	—	—	—	—	—	—	(20,221)	(20,221)
Realized net gain on marketable securities	—	—	—	—	—	—	253	253
Interest and other income	—	—	—	—	—	—	8,786	8,786
Income (loss) from continuing operations before income taxes	\$ 5,605	\$ 32,786	\$(15,070)	\$(16,748)	\$(7,212)	\$ 5,149	\$(90,928)	\$(86,418)

Three months ended October 31, 2003	QuickBooks	Small Business Products & Services	Consumer Tax	Professional Accounting Solutions	Vertical Business Mgmt Solutions	Other Businesses	Corporate	Consolidated
<b>(In thousands)</b>								
Product revenue	\$41,943	\$ 72,027	\$ 2,312	\$ 6,909	\$ 9,538	\$27,456	\$ —	\$160,185
Service revenue	893	45,189	2,706	15	16,015	1,449	—	66,267
Other revenue	—	5,883	151	—	740	9,302	—	16,076
Total net revenue	42,836	123,099	5,169	6,924	26,293	38,207	—	242,528
Segment operating income (loss)	2,276	39,278	(21,909)	(19,099)	883	4,781	—	6,210
Common expenses	—	—	—	—	—	—	(86,286)	(86,286)
Subtotal	2,276	39,278	(21,909)	(19,099)	883	4,781	(86,286)	(80,076)
Acquisition-related costs	—	—	—	—	—	—	(9,338)	(9,338)
Realized net gain on marketable securities	—	—	—	—	—	—	147	147
Interest and other income	—	—	—	—	—	—	7,490	7,490
Income (loss) from continuing operations before income taxes	\$ 2,276	\$ 39,278	\$(21,909)	\$(19,099)	\$ 883	\$ 4,781	\$(87,987)	\$(81,777)

[Table of Contents](#)**8. Other Current Liabilities**

(In thousands)	July 31, 2003	October 31, 2003
Reserve for product returns	\$34,406	\$32,734
Reserve for rebates	10,401	8,144
Executive deferred compensation plan	6,245	10,705
Acquisition-related items	2,619	839
Other accruals	5,458	6,345
	<u>\$59,129</u>	<u>\$58,767</u>

**9. 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. In that quarter, we recorded a \$13.2 million reserve that was equal to the remaining future lease commitments for these facilities, net of estimated future sublease income. During the fourth quarter of fiscal 2003, we decided that we would reoccupy one of the two vacant buildings and that the reserve for the other vacant building should be increased to reflect our revised estimate of future sublease income for that facility. We recorded a net adjustment of \$0.5 million to the reserve that resulted in a credit for vacant facilities on our statement of operations in that quarter. Our actual future cash payments may exceed the total Mountain View reserve balance at October 31, 2003 by a maximum of \$2.8 million if we are unable to sublease the remaining vacant Mountain View property. The lease related to this facility ends in fiscal 2010.

Activity in the reserve for vacant Mountain View facilities for the three months ended October 31, 2002 and 2003 was as follows:

(In thousands)	Three Months Ended	
	October 31, 2002	October 31, 2003
Beginning balance	\$12,478	\$9,701
Cash lease payments applied against the reserve	(581)	(437)
Ending balance	<u>\$11,897</u>	<u>\$9,264</u>

The short-term and long-term components of this reserve and their location on our balance sheet were as follows at the dates indicated.

(In thousands)	July 31, 2003	October 31, 2003
Short-term portion of reserve in other current liabilities	\$1,394	\$1,325
Long-term portion of reserve in long-term obligations	8,307	7,939
Total reserve	<u>\$9,701</u>	<u>\$9,264</u>

[Table of Contents](#)*CBS Employer Services Acquisition Accrual*

We acquired CBS Employer Services, Inc. in the fourth quarter of fiscal 2002. In connection with this acquisition, we recorded a total accrual of \$26.4 million that included \$21.6 million for purchase price deferrals and \$4.8 million for restructuring and transaction costs. Activity in this reserve for the three months ended October 31, 2002 and 2003 was as follows:

(In thousands)	Beginning Balance	Additions	Cash Payments	Adjustments	Ending Balance
<b>Three months ended October 31, 2002</b>					
Non-compete clause	\$ 1,700	\$ —	\$ —	\$ —	\$ 1,700
Purchase price deferrals	13,143	—	(445)	—	12,698
Shareholder escrow	5,800	—	—	—	5,800
Restructuring and transaction costs	4,716	—	(392)	—	4,324
	<u>\$25,359</u>	<u>\$ —</u>	<u>\$(837)</u>	<u>\$ —</u>	<u>\$24,522</u>
<b>Three months ended October 31, 2003</b>					
Non-compete clause	\$ 1,700	\$ —	\$ —	\$ —	\$ 1,700
Purchase price deferrals	13,306	—	—	—	13,306
Shareholder escrow	2,499	—	—	—	2,499
Restructuring and transaction costs	—	—	—	—	—
	<u>\$17,505</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$17,505</u>

The CBS acquisition accrual totaled \$17.5 million at July 31, 2003 and October 31, 2003 and was included in long-term obligations on our balance sheet at those dates.

*Operating Lease and Other Contractual Obligations*

See “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Contractual Obligations” in Item 2 for information on our operating lease and other contractual obligations.

**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 benefits on pre-tax losses in the first quarters of fiscal 2003 and 2004. Our effective tax rates for the first quarters of fiscal 2003 and 2004 were approximately 30% and 34%. Our effective tax rate for the first quarter of fiscal 2003 differed from the federal statutory rate primarily due to the net effect of the benefit received from tax-exempt interest income and various tax credits offset by non-deductible merger and divestiture related charges and state taxes. Our effective tax rate for the first quarter of fiscal 2004 differed from the federal statutory rate primarily due to the net effect of the benefit received from tax-exempt interest income and various tax credits offset by state taxes.

**11. Stockholders’ Equity***Stock Repurchase Program*

In May 2001, Intuit’s Board of Directors initiated Repurchase Plan I and authorized the Company to repurchase up to \$500.0 million of its 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. Repurchase Plan I was concluded in December 2002 when the authorized purchase amount under the program was reached. In March 2003, Intuit’s Board of Directors initiated Repurchase Plan II and authorized the Company to repurchase up to \$500.0 million of its common stock from time to time over a three-year period. In August 2003, Intuit’s Board of Directors initiated Repurchase Plan III and authorized the Company to repurchase up to \$500.0 million of its

[Table of Contents](#)

common stock from time to time over a three-year period. At October 31, 2003, we had repurchased no shares of common stock under Repurchase Plan III. Shares of stock repurchased under all three of these plans become treasury stock.

The following table summarizes our stock repurchase activity under these plans, including broker commissions, through October 31, 2003:

Fiscal Year	Plan I		Plan II		Total		Average Price Per Share
	Shares	Amount	Shares	Amount	Shares	Amount	
(Dollars in thousands)							
2001	238,500	\$ 8,358	—	\$ —	238,500	\$ 8,358	\$35.04
2002	7,361,839	318,422	—	—	7,361,839	318,422	43.25
2003	9,002,244	423,211	8,937,809	390,432	17,940,053	813,643	45.35
2004 to date	—	—	2,212,800	103,072	2,212,800	103,072	46.58
	16,602,583	\$749,991	11,150,609	\$493,504	27,753,192	\$1,243,495	44.81

When we reissue treasury shares, if the proceeds from the sale are more than the average price we paid to acquire the shares we record an increase in additional paid-in capital. Conversely, if the proceeds from the sale are less than the average price we paid to acquire the shares, we record a decrease in additional paid-in capital to the extent of increases previously recorded for similar transactions and a decrease in retained earnings for any remaining amount.

Shares repurchased under the plans described above from the inception of the plans increased our basic and diluted net loss per share by \$0.01 in the first quarter of fiscal 2003 and by \$0.03 per share in the first quarter of fiscal 2004.

*Distribution and Dilutive Effect of Options*

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 2003.

	Twelve Months Ended		Three Months
	July 31, 2002	July 31, 2003	Ended October 31, 2003
Net option grants during the period as a percentage of outstanding shares	3.2%	2.7%	0.6%
Grants to Named Executives during the period as a percentage of total options granted	3.5%	8.9%	0.0%
Grants to Named Executives during the period as a percentage of outstanding shares	0.1%	0.3%	0.0%
Options held by Named Executives as a percentage of total options outstanding	9.0%	11.6%	11.6%

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.

## [Table of Contents](#)

### 12. Litigation

Leonard Knable et al. v. Intuit Inc. was filed in Los Angeles County Superior Court on February 24, 2003. The original complaint alleged various claims for unfair practices and deceptive and misleading advertising, fraud and deceit and product liability, on behalf of a purported class. The allegations are based on allegedly defective design and operation of the product activation feature in Intuit's TurboTax 2002 for Windows desktop software and Intuit's representations and disclosures about product activation. The complaint seeks disgorgement of revenue from the sale of the product, compensatory and punitive damages, injunctive relief and attorneys' fees and costs. On Intuit's motion, the court dismissed the complaint on September 29, 2003, but granted plaintiffs leave to amend. Plaintiffs filed an amended complaint on October 30, 2003, adding causes of action for trespass to chattels, breach of contract, breach of the covenant of good faith and fair dealing, and negligent misrepresentation. Intuit will file a motion to dismiss the amended complaint on December 4, 2003. Discovery is stayed pending the court's decision on Intuit's second motion to dismiss.

On September 17, 2003, Muriel Siebert & Co., Inc. v. Intuit Inc. was filed in the Supreme Court of the State of New York, County of New York. The lawsuit alleges various claims for breach of contract, breach of express and implied covenants of good faith and fair dealing, breach of fiduciary duty, misrepresentation and/or fraud, and promissory estoppel. The allegations relate to Quicken Brokerage powered by Siebert, a strategic alliance between the two companies. The complaint seeks compensatory, punitive, and other damages. Intuit believes this lawsuit is without merit and intends to defend the litigation vigorously.

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

#### *Loans to Executive Officers and Other Employees*

Prior to July 30, 2002, loans to executive officers were generally made in connection with their relocation and purchase of a residence near their new place of work. Consistent with the requirements of The Sarbanes-Oxley Act of 2002, we have not made or modified any loans to executive officers since July 30, 2002 and we do not intend to make or modify any loans to executive officers in the future.

Loans to executive officers and other employees outstanding as of the dates indicated were as follows:

(In thousands)	July 31, 2003	October 31, 2003
Loans to executive officers	\$14,891	\$14,716
Loans to other employees	4,799	4,694
	<u>\$19,690</u>	<u>\$19,410</u>

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

**Caution Regarding 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, the strategies and trends we anticipate in our businesses and the customer segments in which we operate, and the competitive nature and anticipated growth of those segments.

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 2003 (filed with the SEC on September 19, 2003) 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. Our products and services fall into the following principal categories: QuickBooks® small business accounting and business management solutions; small business products and services that include payroll, financial supplies, technical support and information technology management solutions; TurboTax® consumer tax products and services; ProSeries® and Lacerte® professional tax products and services; and Intuit-branded business management solutions designed to meet the specialized requirements of businesses in selected industries, which we call "Verticals." Our other businesses consist primarily of Quicken® personal finance products and services and our Canadian business.

*Expanding Product and Service Offerings.* During the last two years, we have expanded the products and services that we offer. Under our Right for My Business strategy we have expanded our QuickBooks product line to offer easy-to-use, industry-specific versions of QuickBooks, which we call "flavors." We have also introduced new versions of QuickBooks for companies that, due to their larger size or complexity, have more demanding accounting needs. We have introduced business solutions that go beyond accounting software to address a wider range of business management challenges that small businesses face. Finally, we are acquiring companies that offer more complete and customizable business management solutions to businesses in selected industries. 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. Finally, as we add products and services that are complementary to our core products, we are focusing on strengthening our cross-selling capabilities. We expect that these increased capabilities will allow us to generate additional revenue from our existing customers, particularly our small business customers.

## Table of Contents

*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 recognized an increasing portion of our Consumer Tax annual revenue during the third quarter compared to the second quarter, and we expect that trend to continue during fiscal 2004. We typically report losses in our first and fourth quarters ending October 31 and July 31 when revenue from our tax businesses is minimal, while operating expenses to develop new products and services continue at relatively consistent levels.

### **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 or loss and net income or loss, 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. Senior management has discussed the development and selection of these critical policies and their disclosure in this Report with the Audit Committee of our Board of Directors.

- **Net Revenue – Revenue Recognition.** Intuit derives revenue 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.*” We generally 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 undelivered services are essential to the functionality of the delivered products and services, to determine whether vendor-specific evidence of fair value exists for each undelivered 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. Amounts invoiced relating to arrangements where revenue cannot be recognized are reflected on our balance sheet as deferred revenue and recognized over time as the applicable revenue recognition criteria are satisfied.
- **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 at the time of sale 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 contractual limitations, to return purchased products. For product returns reserves, we consider the volume and price mix of products in the retail channel, historical return rates for prior releases of the product, trends in retailer inventory and economic trends that might impact customer demand for our products (including the competitive environment and the timing of new releases of our products). We fully reserve for obsolete products in the distribution channels.

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 we typically establish 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 and historical redemption trends by product and by type of promotional program.

In the past, actual returns and rebates have approximated and not generally exceeded the reserves that we have established. 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.



## Table of Contents

- Allowance for Doubtful Accounts. 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.
- Goodwill, Purchased Intangibles and Other Long-Lived Assets – Impairment Assessments. We make judgments about the recoverability of 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 typically make various assumptions about the future prospects for the business that the asset relates to, consider market factors specific to that business and estimate future cash flows to be generated by that business. Based on these assumptions and estimates, we determine whether we need to record an impairment charge to reduce the value of the asset 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 affect our reported financial results. More conservative assumptions of the anticipated future benefits from these businesses could result in greater impairment charges, which would decrease net income and result in lower asset values on our balance sheet. Conversely, less conservative assumptions could result in smaller or no impairment charges, higher net income and higher asset values. At October 31, 2003, we had \$691.3 million in goodwill and \$132.5 million in intangible assets on our balance sheet.
- Accounting for Stock-Based Incentive Programs. We currently measure compensation expense for our stock-based incentive programs using the intrinsic value method prescribed by Accounting Principles Board (“APB”) Opinion No. 25, “*Accounting for Stock Issued to Employees.*” Under this method, we do not 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 also do not record compensation expense in connection with our 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 of the stock at the beginning of each offering period or at the end of each purchase period. In accordance with SFAS 123, “*Accounting for Stock-Based Compensation,*” and SFAS 148, “*Accounting for Stock-Based Compensation – Transition and Disclosure,*” we disclose our pro forma net income or loss and net income or loss per share as if the fair value-based method had been applied in measuring compensation expense for our stock-based incentive programs. We have elected to follow APB 25 because the fair value accounting provided for under SFAS 123 requires the use of option valuation models that were not developed for use in valuing incentive stock options and employee stock purchase plan shares.

On April 22, 2003, the Financial Accounting Standards Board (“FASB”) decided to require all companies to expense the value of incentive stock options. Companies will be required to measure the cost of incentive stock options according to their fair value. The FASB has indicated that it plans to issue an exposure draft of a new accounting standard addressing this matter. This new accounting standard could become effective as early as 2004. Prior to issuance of this exposure draft, the FASB has indicated that it will be addressing several significant technical issues. A method to determine the fair value of incentive stock options must be established. Current accounting standards require the use of an option-pricing model, such as the Black-Scholes model, to determine fair value and provide guidance on adjusting some of the input factors used in the model. This valuation approach has received significant criticism and may be subject to changes that could have a significant impact on the calculated fair value of incentive stock options under the new standard. Among other things, the FASB must also determine the extent to which the new accounting standard will permit adjustments to recognized expense for actual option forfeitures and actual performance outcomes. This determination will affect the timing and amount of compensation expense recognized.

## [Table of Contents](#)

We monitor progress at the FASB and other developments with respect to the general issue of stock-based incentive compensation. In the future, should we expense the value of stock-based incentive compensation, either out of choice or due to new requirements issued by the FASB, and/or decide to alter our current employee compensation programs to provide other benefits in place of incentive stock options, we may have to recognize substantially more compensation expense in future periods that could have a material adverse impact on our results of operations.

- **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 current tax exposure and to assess temporary differences that result from differing treatments of certain items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which we show on our 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 record a corresponding tax expense on our statement of operations.

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 October 31, 2003 was \$217.8 million, net of the valuation allowance of \$7.5 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 in assessing the need for the valuation allowance, we could 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.

[Table of Contents](#)

Results of Operations

Total Net Revenue

(Dollars in millions)	Q1 FY03	% Total Net Revenue	Q1 FY04	% Total Net Revenue	Q1 % Change
<b>QuickBooks</b>					
Product	\$ 37.8		\$ 41.9		
Service	0.6		0.9		
Other	—		—		
Subtotal	38.4	18%	42.8	18%	11%
<b>Small Business Products and Services</b>					
Product	58.4		72.1		
Service	38.5		45.2		
Other	4.3		5.8		
Subtotal	101.2	47%	123.1	50%	22%
<b>Consumer Tax</b>					
Product	3.9		2.3		
Service	2.0		2.7		
Other	0.2		0.2		
Subtotal	6.1	3%	5.2	2%	(15%)
<b>Professional Accounting Solutions</b>					
Product	6.4		6.9		
Service	0.1		—		
Other	—		—		
Subtotal	6.5	3%	6.9	3%	7%
<b>Vertical Business Management Solutions</b>					
Product	5.6		9.5		
Service	13.2		16.0		
Other	—		0.8		
Subtotal	18.8	9%	26.3	11%	40%
<b>Other Businesses</b>					
Product	29.8		27.5		
Service	1.2		1.4		
Other	10.9		9.3		
Subtotal	41.9	20%	38.2	16%	(9%)
<b>Total net revenue</b>	<b>\$212.9</b>	<b>100%</b>	<b>\$242.5</b>	<b>100%</b>	<b>14%</b>

Total net revenue of \$242.5 million increased 14% in the first quarter of fiscal 2004 compared to the first quarter of fiscal 2003. The following is a discussion of total net revenue by reportable segment for those periods.

QuickBooks

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

QuickBooks total net revenue of \$42.8 million increased 11% in the first quarter of fiscal 2004 compared to the first quarter of fiscal 2003. The revenue increase reflected a mix shift to higher-priced industry-specific and enterprise

## [Table of Contents](#)

versions of QuickBooks partially offset by lower unit sales of our QuickBooks Basic and QuickBooks Pro products. Upgrade sales in the first quarter of fiscal 2004 were lower than in the first quarter of fiscal 2003 because fiscal 2003 upgrade sales benefited from our calendar 2002 discontinuation of technical support and tax table services for certain older versions of QuickBooks.

### *Small Business Products and Services*

Small Business Products and Services product revenue is comprised of QuickBooks Do-It-Yourself Payroll, which offers payroll tax tables, forms and electronic tax payment and filing services on a subscription basis to small businesses that prepare their own payrolls; financial supplies such as paper checks, envelopes and invoices; and information technology management software. Services revenue for this segment is derived primarily from outsourced payroll services and from QuickBooks support plans. Other revenue for this segment consists primarily of royalties from small business online services, including Merchant Account Services, and interest earned on customer payroll deposits.

Small Business Products and Services total net revenue of \$123.1 million increased 22% in the first quarter of fiscal 2004 compared to the first quarter of fiscal 2003. Growth in this segment was driven primarily by increases in QuickBooks Do-It-Yourself Payroll (“DIY”) revenue and Intuit Information Technology Solutions (“ITS”) revenue and by a modest increase in QuickBooks support revenue. Our October 2003 acquisition of Innovative Merchant Solutions LLC (“IMS”) also contributed to the revenue increase in this segment. DIY revenue was higher in the first quarter of fiscal 2004 than in the same quarter of the prior year due to growth in the average customer base and a December 2002 price increase. ITS revenue was higher in the first quarter of fiscal 2004 primarily because we acquired this business in the middle of the first quarter of fiscal 2003 and therefore reported only half a quarter’s revenue in that period. QuickBooks support revenue increased because of continued strength in higher-priced support plans for industry-specific and enterprise versions of QuickBooks.

### *Consumer Tax*

Consumer Tax product revenue is derived primarily from TurboTax federal and state consumer desktop tax return preparation products. Consumer Tax service revenue is derived primarily from TurboTax for the Web online tax return preparation services and consumer electronic filing services. Paid Web units exclude tax filing units that we donate under the Intuit Tax Freedom Project.

Due to the seasonal nature of our consumer tax business, the first fiscal quarter typically generates only nominal revenue from consumer tax products and services compared to the second and third quarters of the fiscal year. Consumer Tax revenue of \$5.2 million decreased 15% in the first quarter of fiscal 2004 compared to the first quarter of fiscal 2003. We do not believe that results for the first quarter of fiscal 2004 are indicative of revenue trends for the full year, and we will not have complete results for the entire 2003 tax season until late in fiscal 2004. Since fiscal 2000, we have recognized an increasing portion of our Consumer Tax annual revenue during the third quarter compared to the second quarter, and we expect that trend to moderate during fiscal 2004.

### *Professional Accounting Solutions*

Professional Accounting Solutions (“PAS”) product revenue is derived primarily from ProSeries and Lacerte professional tax preparation software products. PAS service revenue is derived primarily from electronic filing and training services.

Due to the seasonal nature of our Professional Accounting Solutions business, the first fiscal quarter typically generates only nominal revenue from professional tax products and services compared to the second and third quarters of the fiscal year. Professional Accounting Solutions revenue of \$6.9 million increased 7% in the first quarter of fiscal 2004 compared to the first quarter of fiscal 2003. We do not believe that this is indicative of revenue trends for the full year, and we will not have complete results for the entire 2003 tax season until late in fiscal 2004.

## [Table of Contents](#)

### *Vertical Business Management Solutions*

Vertical Business Management Solutions (“VBMS”) revenue is derived from four businesses that we acquired in fiscal 2002 that provide business management solutions for companies in selected industries. Those businesses are Intuit Distribution Management Solutions, whose Intuit Eclipse™ line of products and services offers business management software for the wholesale durable goods industry; MRI Real Estate Solutions, whose Intuit MRI line of products and services provides business management software solutions for commercial and residential property managers; Intuit Construction Business Solutions, whose Intuit MasterBuilder™ line of products and services provides business management solutions for the construction industry; and Intuit Public Sector Solutions, whose Intuit Fundware™ line of products and services offers accounting and business management software solutions for nonprofit organizations, universities and government agencies. VBMS product revenue is derived from business management software for these vertical industries. VBMS service revenue consists primarily of technical support, consulting and training services.

VBMS total net revenue of \$26.3 million increased 40% in the first quarter of fiscal 2004 compared to the first quarter of fiscal 2003. Every business in this segment experienced growth due to the synergies of being part of the larger Intuit organization.

### *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 service revenue is nominal while Personal Finance 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 and TaxWiz consumer desktop tax return preparation software and ProFile professional tax preparation products. Service revenue in Canada consists primarily of revenue from software maintenance contracts sold with QuickBooks.

Other Businesses total net revenue of \$38.2 million decreased 9% in the first quarter of fiscal 2004 compared to the first quarter of fiscal 2003 reflecting the continuing lack of growth in the personal finance desktop software category. Aggregate average selling prices for Quicken were higher due to the fiscal 2003 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 also declined in the first quarter of fiscal 2004 compared to the first quarter of fiscal 2003 due to the continuing industry-wide slowness in spending by purchasers of Internet advertising. Total net revenue from Canada in the first quarter of fiscal 2004 was nominal, reflecting the seasonality of that business.

[Table of Contents](#)*Cost of Revenue*

	Q1 FY03	% of Related Revenue	Q1 FY04	% of Related Revenue	Q1 % Change
(Dollars in millions)					
Cost of revenue:					
Cost of product revenue	\$28.7	20%	32.0	20%	11%
Cost of service revenue	36.6	66%	35.8	54%	(2%)
Cost of other revenue	4.6	30%	6.8	42%	48%
Amortization of purchased software	3.0	n/a	3.3	n/a	10%
<b>Total cost of revenue</b>	<b>\$72.9</b>	<b>34%</b>	<b>\$77.9</b>	<b>32%</b>	<b>7%</b>

There are four components of our cost of revenue: (1) cost of product revenue, which includes the direct cost of manufacturing and shipping our software products; (2) cost of service revenue, 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 product revenue as a percentage of product revenue of 20% remained consistent with the first quarter of fiscal 2003.

Cost of service revenue as a percentage of service revenue decreased to 54% in the first quarter of fiscal 2004 from 66% in the same quarter of the prior year. This decrease was primarily attributable to growth in service revenue combined with lower service costs from businesses acquired during fiscal 2003 and 2004, notably ITS and IMS. In addition, starting in the third quarter of fiscal 2003 we no longer paid royalties to Wells Fargo Bank for our Premier payroll business. Although we now amortize the \$29.2 million purchase price of the right to market to this customer base to cost of services revenue over five years, the amortization expense is less than the royalties that would have been incurred under the old agreement.

Amortization of purchased software increased slightly in the first quarter of fiscal 2004 compared to the first quarter of fiscal 2003 as a result of additional amortization for purchased intangible assets relating to the acquisition of Blue Ocean Software, Inc. (now Intuit Information Technology Solutions), which we completed during the first quarter of fiscal 2003.

[Table of Contents](#)*Operating Expenses*

(Dollars in millions)	Q1 FY03	% Total Net Revenue	Q1 FY04	% Total Net Revenue	Q1 % Change
Customer service and technical support	\$ 39.6	19%	\$ 41.0	17%	4%
Selling and marketing	74.8	35%	91.9	38%	23%
Research and development	64.1	30%	71.3	29%	11%
General and administrative	39.6	19%	43.7	18%	10%
Subtotal	218.1	103%	247.9	102%	14%
Charge for purchased research and development	7.8	4%	—	n/a	n/a
Acquisition-related charges	9.5	4%	6.0	3%	(37%)
<b>Total operating expenses</b>	<b>\$235.4</b>	<b>111%</b>	<b>\$253.9</b>	<b>105%</b>	<b>8%</b>

*Overview of Operating Expenses*

Total operating expenses increased 8% in the first quarter of fiscal 2004 compared to the same quarter of fiscal 2003. Core operating expenses (which are subtotaled in the table above) increased 14% in the same period as we continued to invest in new products and initiatives that support our small business Right for My Business and Consumer Tax Right for Me strategies.

*Customer Service and Technical Support*

Customer service and technical support expenses were 17% of total net revenue in the first quarter of fiscal 2004 compared to 19% in the first quarter of fiscal 2003. We continued to increase our efficiency in the first quarter of fiscal 2004 by improving our utilization of internal customer service representatives and 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. In addition, we experienced somewhat lower support costs as a percentage of total net revenue in fiscal 2004 due to the addition to the product mix of our newer versions of QuickBooks that have higher average selling prices. These benefits were partially offset by increased demand for customer service and technical support due to the increasing complexity of our products.

*Selling and Marketing*

Selling and marketing expenses were 38% of total net revenue in the first quarter of fiscal 2004 compared to 35% in the same quarter of the prior fiscal year. Selling and marketing expenses increased in the first quarter of fiscal 2004 as we continued to expand our marketing programs to support our small business Right for My Business and Consumer Tax Right for Me strategies. We also increased our outsourced payroll sales force in the first quarter of fiscal 2004.

*Research and Development*

Research and development expenses were 29% of total net revenue in the first quarter of fiscal 2004 compared to 30% in the first quarter of fiscal 2003. During the first quarter of fiscal 2004, we continued to invest in new products and enhanced functionality for existing products, particularly those that support our small business Right for My Business and Consumer Tax Right for Me strategies. Offsetting these increases, we continued to benefit from improvements in our development process that resulted in shorter development times and higher quality in many of our products. During the remainder of fiscal 2004, we expect to continue to make significant investments in research and development, particularly for new small business products and services.

## [Table of Contents](#)

### *General and Administrative*

General and administrative expenses were 18% of total net revenue in the first quarter of fiscal 2004 compared to 19% in the first quarter of fiscal 2003. General and administrative expenses decreased slightly as a percent of revenue in the first quarter of fiscal 2004 compared to the same quarter of the prior year primarily due to total net revenue growth. During the first quarter of fiscal 2004, general and administrative expenses increased in absolute dollars as we made additional investments in our financial management infrastructure.

### *Charge for Purchased Research and Development*

In connection with certain acquisitions we determine the value of in-process projects under development for which technological feasibility has not been established. The value of each project is determined by estimating the costs to develop the in-process technology into a commercially feasible product, estimating the cash flows we believe would result from the product and discounting these net cash flows back to their present value. The resulting amount is recorded as a charge for purchased research and development.

In the first quarter of fiscal 2003, we recorded a charge for purchased research and development of \$7.8 million in connection with our acquisition of Blue Ocean Software, Inc. (now Intuit Information Technology Solutions).

### *Acquisition-Related Charges*

Acquisition-related charges were \$6.0 million in the first quarter of fiscal 2004 compared to \$9.5 million in the first quarter of fiscal 2003. First quarter fiscal 2004 acquisition-related charges decreased compared to the acquisition-related charges for the same quarter of the prior year as older intangible assets and certain deferred compensation balances related to acquisitions became fully amortized.

### *Non-Operating Income and Expenses*

#### *Interest and Other Income*

In the first quarter of fiscal 2004, total interest and other income was \$7.5 million compared to \$8.8 million in the same quarter of fiscal 2003. In general, the interest income that we earn on our cash and short-term investment balances decreased in the first quarter of fiscal 2004 compared to the first quarter of fiscal 2003 due to our reinvestment of maturing instruments in new instruments that generally yield lower current market interest rates.

Interest and other income includes net gains and losses resulting from foreign exchange transactions. Due primarily to the effect of the weakening U.S. dollar on intercompany balances with our Canadian subsidiary, we recorded net foreign exchange gains of \$3.3 million in the first quarter of fiscal 2004 and \$0.7 million in the first quarter of fiscal 2003.

We report interest earned on customer payroll deposits as revenue for our payroll business, and this interest is consequently 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 \$0.1 million in the first quarter of fiscal 2004 and \$0.3 million in the first quarter of fiscal 2003.

#### *Income Taxes*

In the first quarter of fiscal 2004 and 2003, we recorded income tax benefits of \$27.8 million and \$26.0 million on pre-tax losses from continuing operations of \$81.8 million and \$86.4 million, resulting in effective tax rates of approximately 34% and 30% for those periods. Our effective tax rate for the first quarter of fiscal 2004 differed from the federal statutory rate primarily due to the net effect of the benefit received from tax-exempt interest income and various tax credits offset by state taxes. Our effective tax rate for the first quarter of fiscal 2003 differed from the federal statutory rate primarily due to the net effect of the benefit received from tax-exempt interest income and various tax credits offset by non-deductible merger and divestiture related charges and state taxes.



## Table of Contents

As of October 31, 2003, we had net deferred tax assets of \$217.8 million, which included a valuation allowance of \$7.5 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*

In July 2002, we sold our Quicken Loans mortgage business segment and accounted for the sale as discontinued operations. In October 2002, we sold our residual equity interest in the purchasing company and recognized a gain of \$5.6 million on the transaction. See Note 6 of the financial statements.

In February 2003, we sold our wholly owned Japanese subsidiary, Intuit KK, and accounted for the sale as discontinued operations. In accordance with SFAS 144, we have segregated the operating results of Intuit KK from continuing operations in our statement of operations for all periods prior to the sale. See Note 6 of the financial statements.

### **Liquidity and Capital Resources**

At October 31, 2003, our cash and cash equivalents and short-term investments totaled \$917.6 million, a \$289.2 million decrease from July 31, 2003. The decrease was primarily due to cash used by continuing operations and to our use of cash for our stock repurchase programs and for an acquisition.

We used \$75.1 million in cash for our operations during the first quarter of fiscal 2004. Net loss from continuing operations used cash of \$54.0 million. Adjustments for non-cash expenses included depreciation of \$19.7 million and acquisition-related charges, amortization of purchased software and amortization of other purchased intangible assets totaling \$10.8 million. Accrued compensation decreased \$50.4 million, due mainly to the payment of fiscal 2003 bonuses in the first quarter of fiscal 2004.

We generated \$123.9 million in cash from investing activities during the first quarter of fiscal 2004. We drew net cash of \$266.8 million from short-term investments during the period, with proceeds of \$801.2 million from the sale upon maturity of certain short-term investments more than offsetting reinvestments of \$534.4 million. Our primary use of cash for investing activities was for the acquisition of Innovative Merchant Solutions LLC, which totaled \$116.7 million. As a result of our continued investment in information systems and infrastructure, we also purchased a total of \$21.1 million in property and equipment which included \$5.4 million in labor costs capitalized in connection with internal use software projects.

We used \$69.3 million in cash for our financing activities in the first quarter of fiscal 2004. The primary component of cash used in financing activities was \$103.1 million for the repurchase of treasury stock through our stock repurchase programs. See Note 11 of the financial statements. This was partially offset by proceeds of \$31.9 million we received from the issuance of common stock under employee stock plans.

In March 2003, Intuit's Board of Directors initiated Repurchase Plan II and authorized the Company to repurchase up to \$500.0 million of common stock from time to time over a three-year period. Shares of stock repurchased under this program become treasury shares. During the first quarter of fiscal 2004, we repurchased a total of 2.2 million shares of our common stock for an aggregate cost of approximately \$103.1 million under this program. Authorized funds of \$6.5 million remain available under this program at October 31, 2003.

In August 2003, our Board of Directors initiated Repurchase Plan III and authorized the Company to repurchase up to \$500.0 million of common stock from time to time over a three-year period. Shares of stock repurchased under this program will become treasury shares. At October 31, 2003, we had repurchased no shares of common stock under this program.

Outstanding loans to executive officers and other employees totaled \$19.4 million at October 31, 2003 and \$19.7 million at July 31, 2003. Loans to executive officers are primarily relocation loans that are generally secured by real property and have maturity dates of up to 10 years. As of October 31, 2003, all interest payments were current in

[Table of Contents](#)

accordance with the terms of the loan agreements. Consistent with the requirements of The Sarbanes-Oxley Act of 2002, no loans to executive officers have been made or modified since July 30, 2002 and we do not intend to make or modify loans to executive officers in the future. See Note 13 of the financial statements.

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.

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.

**Contractual Obligations**

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

	Payments Due by Period				
	Less than 1 year	1-3 years	3-5 years	After 5 years	Total
(In millions)					
Restricted long-term assets	\$ —	\$12.3	\$ —	\$ —	\$ 12.3
Short-term portion of vacancy reserve	1.3	—	—	—	1.3
Long-term obligations	—	22.9	3.5	4.7	31.1
Operating leases	26.7	50.7	37.9	66.0	181.3
<b>Total contractual cash obligations</b>	<b>\$ 28.0</b>	<b>\$85.9</b>	<b>\$41.4</b>	<b>\$70.7</b>	<b>\$226.0</b>

Restricted long-term assets at October 31, 2003 included \$9.8 million in obligations to our employees under deferred compensation plans and \$2.5 million that we held in escrow in connection with acquisitions. See Note 1 of the financial statements.

Long-term obligations at October 31, 2003 included the \$7.9 million long-term portion of our reserve for vacant Mountain View facilities. Long-term obligations also included \$17.5 million for 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. 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 quarter of fiscal 2004 and comparative balances at October 31, 2002 were as follows:

	Balance July 31, 2003	Additions Charged Against Revenue	Returns/Redemptions	Balance October 31, 2003	Balance October 31, 2002
(In thousands)					
Reserve for product returns	\$34,406	\$28,095	\$(29,767)	\$32,734	\$36,424
Reserve for rebates	10,401	24,264	(26,521)	8,144	9,938

Reserves for product returns were slightly lower at October 31, 2003 compared to October 31, 2002 because of improvements in the estimates of sales to end-users resulting in lower product returns and improvements in the timeliness of sales returns from our retail customers. Reserves for rebates were lower at October 31, 2003 compared to October 31, 2002 because of a decrease in end-user rebate programs in fiscal 2004.

## [Table of Contents](#)

### **Recent Accounting Pronouncements**

In November 2002, the EITF reached a consensus on Issue No. 00-21, “*Revenue Arrangements with Multiple Deliverables*.” Issue 00-21 provides guidance on accounting for arrangements that involve the delivery or performance of multiple products, services and/or rights to use assets. The provisions of Issue 00-21 apply to revenue arrangements entered into in fiscal periods beginning after June 15, 2003. We adopted Issue 00-21 effective August 1, 2003 and the adoption of this standard did not have a material effect on our financial position, results of operations or cash flows.

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 December 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 anticipate that the adoption of FIN 46 will not have a material impact on our financial position, results of operations or cash flows.

In April 2003, the FASB issued SFAS 149, “*Amendment of Statement 133 on Derivative Instruments and Hedging Activities*.” SFAS 149 is intended to result in more consistent reporting of contracts as either freestanding derivative instruments subject to SFAS 133 in its entirety, or as hybrid instruments with debt host contracts and embedded derivative features. In addition, SFAS 149 clarifies the definition of a derivative by providing guidance on the meaning of initial net investments related to derivatives. SFAS 149 is effective for contracts entered into or modified after June 30, 2003. We adopted SFAS 149 effective August 1, 2003 and the adoption of this statement did not have a material effect on our financial position, results of operations or cash flows.

### **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 2003 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 Factors That Could Affect Future Results**

*We face intense competitive pressures in all of our businesses, which can have a negative impact on our revenue, profitability and market position. We have formidable current and potential competitors. Accordingly, we expect competition to remain intense during fiscal 2004 and beyond. Our competitors in all our businesses may introduce new and improved products and services, reduce prices, gain better access to distribution channels, increase advertising (including advertising targeted at Intuit customers), and release new products and services before we do. Any of these competitive actions – particularly any prolonged price competition – could diminish our net revenue and profitability. They could also affect our ability to keep existing customers and acquire new customers.*

*We are implementing new information systems that are important for our ability to execute on our growth strategy, and problems with the design or implementation of these systems could interfere with our business and operations. We are in the process of implementing new information systems to replace our existing systems. As a part of this effort, we began implementing in fiscal 2003, and will continue to implement in fiscal 2004, new software applications to manage our business and finance operations. We may not successfully implement these new systems and transition data, and even if we do succeed, the implementation may be much more costly than we anticipated. Any disruptions relating to these systems enhancements could adversely impact our ability to do the following in a timely and accurate manner: take customer orders, ship products, provide services and support to our customers, bill*

## Table of Contents

and track our customers, fulfill contractual obligations and otherwise run our business. In addition, many of our newer businesses depend on a different operational infrastructure than our desktop software businesses, and we expect to encounter difficulties as we develop, expand and modify our internal systems and procedures – including call center, customer management, order management, billing and other systems – to support these businesses. If we are unable to successfully implement new information systems, our financial position, results of operations, cash flows and stock price could be adversely affected.

*If we do not continue to develop new products and services in a timely and efficient manner, our future financial results will suffer.* We must continually develop new products and services and improve existing products and services so that we can remain competitive in the markets we serve and in the markets we seek to enter. In executing our customer-focused product strategies, we have introduced a number of products and services that are specially designed for specific businesses and consumer needs. Many of our offerings have posed new product development challenges for us because they require that our products and services integrate with one another and with both our web sites and our internal information systems. In addition, our customers expect – and our business model contemplates – increased functionality and greater inter-operability among our products and services. Moreover, our 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, the risk of defects that hinder performance and the risk that consumers will not buy new or modified offerings. Failure to timely and successfully develop new products and services would harm our competitive position and result in declines in our revenue and earnings.

*Expanding 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 as we acquire additional companies. 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. This would decrease revenue at the time products are shipped, but result in increased revenue in fiscal periods after shipment. In addition, our Vertical Business Management Solutions businesses offer products and services with significantly higher prices than we have traditionally offered. Revenue from these offerings 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.

*Any significant failure in our technology systems could harm our operations and our financial performance.* We rely on a variety of technology systems to take and fulfill customer orders, handle customer service requests, host our Web-based activities, support internal operations, store customer and company data and perform other functions. Our technology systems could be damaged or interrupted, lose customer data or otherwise fail to perform at levels necessary to support our business operations. Any significant failure in our technology systems could prevent us from accepting and fulfilling customer orders and adversely impact our operations. To reduce the likelihood of interruptions, we must continually upgrade our systems and processes to ensure that we have adequate recoverability, which is costly and time consuming. While we have backup systems for certain aspects of our operations, our systems are not fully redundant and our disaster recovery planning may not be sufficient for all eventualities. In addition, we may have inadequate insurance coverage or insurance limits to compensate us for losses from a major interruption. If our technology systems were to fail, it could harm our financial performance, damage our reputation and be expensive to remedy.

*Business integration of acquired companies presents several challenges and we may not fully realize the intended benefits of our acquisitions if we do not successfully integrate them with our operations.* During the past few years, we have completed numerous acquisitions (one in fiscal 2004, two in fiscal 2003 and five in fiscal 2002), and we expect to continue to pursue acquisitions as part of our business strategy. These acquisitions expand our product and service offerings, personnel and geographic locations and require us to integrate different company cultures, management teams and business infrastructures. The integration process can strain our resources and be expensive and time consuming, particularly if we are integrating multiple companies at the same time. Promptly and efficiently integrating acquired businesses creates challenges for our operational, financial and management information systems, as well as for our product development processes. Depending on the size and complexity of an acquisition, and the number of acquisitions we are concurrently integrating, our successful integration of the entity depends on a variety of factors, including:

## Table of Contents

- Retaining key employees
- Managing facilities and employees in different geographic areas
- Retaining key customers, and
- Integrating or coordinating research and development, product manufacturing, and sales and marketing programs.

*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 technical support problems, including longer than expected waiting times for customers when our staffing and systems are inadequate to handle a higher-than-anticipated volume of requests. When we experience these problems, they can adversely affect customer relationships and our financial results (due to lost revenue because of our inability to accept orders for our products or increased costs). We also risk losing service at any one of our customer contact centers and our redundancy systems could prove inadequate to provide backup support. In addition, our customer-focused business strategy presents additional technical support challenges as we increase the number and complexity of the products we offer, particularly for our QuickBooks, Consumer Tax and Vertical Business Management Solutions segments. To improve our performance in this area, we must eliminate underlying causes of customer requests for service and support through product improvements, better order fulfillment processes, more robust self-help tools, and better forecasting of demand for support services. Implementing any of these improvements can be expensive, time consuming and ultimately prove unsuccessful.

*Given the nature of the products and services that we offer, our revenue and earnings are highly seasonal.* Several of our businesses are highly seasonal – particularly our tax businesses, but also our small business software and service offerings 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, which end January 31 and April 30. We experience lower revenues, and we often experience significant operating losses, in the first and fourth quarters, which end October 31 and July 31. Our financial results can also fluctuate from quarter to quarter and year to year due to a variety of factors, including changes in product sales mix that affect average selling prices, product release dates, the timing of sales of our higher-priced Vertical Business Management Solutions offerings, our methods for distributing our products, including the shift to a consignment model for our consumer tax products that we sell through retail distribution channels, and the timing of acquisitions, dispositions, and goodwill and purchased intangible asset impairment charges.

*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 intangible assets and deferred compensation (which are reflected in operating expenses). Total acquisition-related costs in the categories identified above were \$196.0 million in fiscal 2002, \$56.6 million in fiscal 2003 and \$9.3 million in the first quarter of fiscal 2004. Fiscal 2003 and 2004 acquisition-related costs have declined primarily because of a change in the accounting treatment of 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 of October 31, 2003, we had an unamortized goodwill balance of approximately \$691.3 million, which could be subject to impairment charges in the future. Additional acquisitions, and any impairment of the value of purchased assets, could have a significant negative impact on our future operating results.

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

*In our QuickBooks and our Small Business Products and Services businesses, we face a wide range of competitive risks that could impact our financial results.* Our QuickBooks business faces current competition from competitors' desktop and Web-based software offerings. 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 expand the depth and breadth of our small business offerings, we face additional competition from others who are already offering industry-specific small business solutions and business management tools and services for larger small businesses. Microsoft has several small business offerings that compete with our small business offerings, including Microsoft Business Solutions Small Business Manager, Microsoft Business Solutions CRM and Business Contact Manager for Microsoft Office Outlook® 2003. We expect that Microsoft small business offerings will continue to compete with our small business offerings, perhaps even more directly in the future. In addition, we face direct competition in our Intuit Payroll Services Complete Payroll business from traditional payroll services offered by a number of companies, including ADP and Paychex. Our financial supplies business faces

## Table of Contents

ongoing pricing pressures from many of our competitors. 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.

*We face competitive pressures in our Vertical Business Management Solutions segment.* All of our Vertical Business Management Solutions businesses operate in highly competitive and fragmented environments where no competitor has a significant share of the market segment. We may experience pricing pressure in these market segments because we compete with many small companies, who have fewer resources than larger companies and are therefore more likely to focus on near-term sales. In each of these market segments, the possibility exists that through either consolidation within the market segment or the entry into the market segment of new companies a significant competitor will emerge.

*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 our QuickBooks, Small Business Products and Services and Vertical Business Management Solutions 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. There are many risks associated with our growth strategy, including:

- We may have difficulty identifying potential targets for acquisition.
- Our strategy depends on our successfully completing acquisitions and integrating acquired companies.
- Our Right for My Business strategy is resulting in a dramatic increase in the number and complexity of the products and services that we offer. This places greater demands on our research and development, and marketing and sales resources, as we must develop, market and sell both the new products and services and 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 gain better integration so we can support our 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 offer, and will be offering, are much more complex than our traditional core desktop software products and are priced accordingly. They will therefore require a more consultative sales process and a higher level of post-sales support, both of which could result in higher selling and marketing expenses. If we are not able to adapt our marketing, sales, distribution and customer support functions to accommodate these changes, we will not succeed in generating significant or sustained revenue or net income from these new businesses.

*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 to derive a significant portion of this expansion from acquisitions. We could face the following risks relating to our strategy and future acquisitions, in addition to the integration challenges noted above:

- 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.
- 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.
- 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.
- If we fail to retain the services of key employees of acquired companies for significant time periods after we acquire their companies, we may experience difficulty in managing the acquired company's business and not realize the anticipated benefits of the acquisition.

*Revenue growth for our Vertical Business Management Solutions segment may be hindered by a variety of factors, which could have a negative impact on overall company revenue growth.* Revenue growth for our Vertical Business Management Solutions business is subject to many risks. Among these are the negative impact of the current economic environment on customer purchases of the relatively high-priced software solutions offered by these businesses, strong pricing pressure in these markets because we compete with many small companies, who have fewer resources than larger companies and are therefore more likely to focus on near-term sales, our ability to successfully acquire other companies and the potential disruption to the businesses of the acquired companies during

## Table of Contents

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 businesses face a number of risks that could have a negative impact on revenue and profitability.* For our payroll businesses, we must process customer data accurately, reliably and timely in order to attract and retain customers and avoid the costs associated with errors. We must also accurately and timely develop new and upgraded payroll products to enable our customers to meet the various regulatory deadlines associated with employer-related payroll activities. If we failed to timely deliver any of our payroll products, it could cause our current and prospective customers to choose a competitor's product for that year's payroll and not to purchase Intuit products in the future. Since our payroll businesses involve processing large amounts of payroll funds and remitting large amounts of income taxes, there is a potential for errors in processing the payments or misappropriation of payroll funds by either our customers' employees or our own employees. Any such error or misappropriation could subject Intuit to liabilities that could be substantial. In addition, we are authorized by our customers to transfer money from their bank accounts to fund amounts owed to their employees and taxing authorities. It is possible that we could be held liable for such amounts in the event the client has insufficient funds to cover them. Moreover, our payroll businesses, other than our Do-It-Yourself product, include as part of their revenue interest on customer deposits not yet remitted to taxing authorities or to customers' employees. If interest rates decline, or regulatory changes occur that either decrease the amount of taxes withheld or allow less time to remit taxes to taxing authorities, it would result in less interest revenue for those businesses. If any of the above eventualities came to pass, it could have a negative impact on the revenue, profitability and future growth of our payroll businesses.

### ***Specific Factors Affecting Our Consumer Tax and Professional Accounting Solutions Segments***

*We face intense competitive pressures from both the private and public sectors in our Consumer Tax and Professional Tax businesses that could have a negative impact on revenue, profitability and market position.* There are formidable current and potential competitors in the private sector for both our consumer and professional tax products, and we expect competition to remain intense in the future. Our major domestic competitor for both desktop and Web-based consumer tax software continues to be H&R Block, and our largest professional tax competitors are CCH Incorporated; Kleinrock Publishing; and the Thomson Corporation. In addition, we face current and potential competition from a number of publicly funded government entities that are offering individual taxpayers electronic tax preparation and/or filing services, at no cost to individual taxpayers. If governmental agencies are able 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 signed a three-year Free File Alliance agreement in October 2002 under which a number of private sector companies, rather than the federal government, are providing Web-based federal tax preparation and filing services at no cost through voluntary public services initiatives such as our Intuit Tax Freedom Project. However, future administrative, regulatory or legislative activity in this area could have a strong adverse impact the financial performance of our Consumer Tax and Professional Tax businesses.

*The product activation technology that we introduced into certain TurboTax desktop products last year could have an adverse impact on this year's results for our Consumer Tax business.* During tax year 2002, federal versions of TurboTax desktop products for Windows included product activation technology that helped 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 generated negative commentary in the media and in online forums and also resulted in a modest increase in the volume of customers contacting our customer service and technical support centers. While we have publicly announced that we will not include product activation in retail versions of TurboTax for Windows for the upcoming tax season, there is uncertainty about whether the negative publicity and customer reactions to, and experiences with, this technology last year will impact our Consumer Tax business this year. Any significant negative repercussions relating to product activation could adversely impact our fiscal 2004 results for our Consumer Tax business, in particular, and our financial performance as a whole.

*Significant problems or delays in developing our Consumer Tax and Professional Tax products would result in lost revenue and customers.* Developing tax preparation software presents unique challenges because of the demanding annual development cycle required to incorporate unpredictable tax law and tax form changes each year and because our customers expect high levels of accuracy and a timely launch of these products. Our tax preparation software business, which represents a substantial portion of our annual revenue, is highly seasonal since the customers in that market generally prepare and file their taxes by April 15. A significantly late product launch could cause our current and prospective customers to choose a competitor's product for that year's tax season or to choose not to purchase tax

## [Table of Contents](#)

preparation software at all, which would result in lost revenue in the current tax year and would make it more difficult for us to sell our products to customers in future tax seasons. Moreover, the rigid development timetable increases the risk of bugs or errors in our products. Any major defects could lead to negative publicity, customer dissatisfaction, lost revenue and increased operating expenses, including expenses resulting from correcting defects or errors in our products, expenses resulting from increased activity at our customer contact centers and, expenses resulting from our commitment to reimburse penalties and interest paid by consumer customers due solely to calculation errors in our products.

*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 and the exact level of demand for these offerings is difficult to predict. We face significant risks and challenges in maintaining these services and maintaining adequate service levels, particularly during peak volume service times. For example, we experienced a relatively brief unscheduled interruption in our electronic filing service on April 15, 2003 during which certain users of our professional tax products were unable to receive confirmation from us that their electronic filing had been accepted, and we reached maximum capacity for a short period on April 15, 2002. We also face risks related to the performance of our redundancy and data recoverability systems in these businesses. If our redundancy and data recoverability systems are inadequate, then we could lose the ability to provide these services – or provide these services at inadequate levels – to our customers. If we experience any prolonged difficulties with our Web-based tax preparation or electronic filing service at any time during the tax season, we could lose current and future 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 and have a negative impact on our near-term and long-term financial results.

*If we are unable to significantly increase accountant-facilitated sales, it could have a negative impact on revenue growth.* We are currently focused on developing relationships with accounting professionals in order to expand our opportunities to sell small business products and services to their clients under our “Right for My Firm, Right for My Clients” strategy. We view this strategy as an important driver for our Professional Accounting Solutions segment, as well as our QuickBooks and Small Business Products and Services businesses. However, since this is a new model for us, we face several risks associated with it, including the risk that we will not be able to effectively execute this strategy and the risk that we will not derive the anticipated benefits (including financial benefits) from this strategy. Moreover, we face intense competition in this effort, as there are an increasing number of alliances between accountants and other professional tax preparers and providers of small business software and services that aim to capitalize on accountant-facilitated sales of small business products and services to their clients.



**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 specifies that, except for direct obligations of the United States government, securities issued by agencies of the United States government, and money market or cash management funds, we diversify our holdings and limit our short-term investments with any individual issuer to a maximum of \$5.0 million in each of our three managed portfolios.

**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 October 31, 2003.

**Impact of Foreign Currency Rate Changes**

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

Since we translate foreign currencies (primarily Canadian dollars and British pounds) into U.S. dollars for financial reporting purposes, currency fluctuations can have an impact on our financial results. The historical impact of currency fluctuations has generally been immaterial. We believe that our exposure to currency exchange fluctuation risk is not significant primarily because our international subsidiaries invoice customers and satisfy their financial obligations almost exclusively in their local currencies. There was a nominal currency exchange impact from our intercompany transactions for fiscal 2001 and 2002. Due primarily to the effect of the weakening U.S. dollar on intercompany balances with our Canadian subsidiary, we recorded foreign currency exchange gains of \$5.4 million in fiscal 2003 and \$3.3 million in the first quarter of fiscal 2004. 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 October 31, 2003, we did not engage in foreign currency hedging activities.

**ITEM 4**  
**CONTROLS AND PROCEDURES**

(a) Evaluation of Disclosure Controls and Procedures

Based on our management's evaluation (with the participation of our principal executive officer and principal financial officer) of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as required by Rules 13a-15 and 15d-15 under the Exchange Act, as of the end of the period covered by this report, our principal executive officer and principal financial officer have concluded that such disclosure controls and procedures are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.

(b) Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting during our first fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

[Table of Contents](#)

**PART II**  
**ITEM 1**  
**LEGAL PROCEEDINGS**

Leonard Knable et al. v. Intuit Inc. was filed in Los Angeles County Superior Court on February 24, 2003. The original complaint alleged various claims for unfair practices and deceptive and misleading advertising, fraud and deceit and product liability, on behalf of a purported class. The allegations are based on allegedly defective design and operation of the product activation feature in Intuit's TurboTax 2002 for Windows desktop software and Intuit's representations and disclosures about product activation. The complaint seeks disgorgement of revenue from the sale of the product, compensatory and punitive damages, injunctive relief and attorneys' fees and costs. On Intuit's motion, the court dismissed the complaint on September 29, 2003, but granted plaintiffs leave to amend. Plaintiffs filed an amended complaint on October 30, 2003, adding causes of action for trespass to chattels, breach of contract, breach of the covenant of good faith and fair dealing, and negligent misrepresentation. Intuit will file a motion to dismiss the amended complaint on December 4, 2003. Discovery is stayed pending the court's decision on Intuit's second motion to dismiss.

On September 17, 2003, Muriel Siebert & Co., Inc. v. Intuit Inc. was filed in the Supreme Court of the State of New York, County of New York. The lawsuit alleges various claims for breach of contract, breach of express and implied covenants of good faith and fair dealing, breach of fiduciary duty, misrepresentation and/or fraud, and promissory estoppel. The allegations relate to Quicken Brokerage powered by Siebert, a strategic alliance between the two companies. The complaint seeks compensatory, punitive, and other damages. Intuit believes this lawsuit is without merit and intends to defend the litigation vigorously.

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.

[Table of Contents](#)

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

At Intuit's Annual Meeting of Stockholders held on October 30, 2003, our stockholders voted as follows on the below proposals:

1. Proposal to elect directors:

	For	Withheld
Stephen M. Bennett	175,453,577	3,950,351
Christopher W. Brody	167,904,562	11,499,366
William V. Campbell	177,933,474	1,470,454
Scott D. Cook	177,895,782	1,508,146
L. John Doerr	177,439,562	1,964,366
Donna L. Dubinsky	168,110,762	11,293,166
Michael R. Hallman	168,084,154	11,319,774
Stratton D. Sclavos	177,669,700	1,734,228

2. 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 500,000 shares:

For	150,302,430
Against	4,045,088
Abstain	874,193
Broker Non-Votes	24,182,217

3. Proposal to ratify the appointment of Ernst & Young LLP as Intuit's independent auditors for fiscal 2004:

For	158,405,194
Against	20,006,049
Abstain	992,685
Broker Non-Votes	0

**ITEM 5  
OTHER MATTERS**

**CHANGES IN EXECUTIVE OFFICERS**

Thomas E. Weigman joined Intuit as our Senior Vice President and Chief Marketing Officer on September 8, 2003. Prior to joining Intuit, Mr. Weigman served as Sprint Corporation's Senior Vice President, Consumer Strategy and Communications Group, from February 1999 through June 2000; as its President, Consumer Services Group-Long Distance, from February 1995 to February 1999; and as its Chief Marketing Officer, Long Distance, from February 1991 to February 1995. Mr. Weigman, age 56, holds a Bachelor of Science degree in Civil Engineering from Lehigh University and an MBA 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
10.01	Intuit 1996 Employee Stock Purchase Plan, as amended through October 30, 2003	X			
10.02	Form of Stock Bonus Agreement (Matching Unit) under the Intuit 2002 Equity Incentive Plan related to the Executive Stock Ownership Program	X			
10.03	Employment Agreement between Intuit and Nicholas J. Spaeth, dated July 27, 2003	X			
10.04	Employment Agreement between Intuit and Thomas E. Weigman, dated August 8, 2003	X			
31.01	Rule 13a-14(a) Certification (Chief Executive Officer)*	X			
31.02	Rule 13a-14(a) Certification (Chief Financial Officer)*	X			
32.01	Section 1350 Certification (Chief Executive Officer)	X			
32.02	Section 1350 Certification (Chief Financial Officer)	X			

\* This certification is not deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that Intuit specifically incorporates it by reference.

Reports on Form 8-K filed during the first quarter of fiscal 2004:

1. On August 1, 2003, Intuit filed a report on Form 8-K to report under Item 5 that on July 30, 2003 it had entered into an amended and restated employment agreement with Stephen M. Bennett, the Company's Chief Executive Officer. The amended and restated employment agreement was filed with the report.
2. On August 19, 2003, Intuit furnished a report on Form 8-K to report under Item 12 its financial results for the fourth quarter and fiscal year ended July 31, 2003, and to list under Item 7 a press release furnished with the filing. Intuit's statement of operations and balance sheet for the fourth quarter and fiscal year ended July 31, 2003 were included with the press release that is an exhibit to 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.

**INTUIT INC.  
(Registrant)**

Date: December 5, 2003

By: /s/ Robert B. Henske

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

**EXHIBIT INDEX**

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## INTUIT INC.

## 1996 EMPLOYEE STOCK PURCHASE PLAN

As Amended Through July 30, 2003

**1. Establishment of Plan.** The Company proposes to grant options for purchase of the Company's Common Stock, \$0.01 par value, to eligible employees of the Company and Participating Subsidiaries pursuant to this Plan. A total of 5,400,000<sup>1</sup> shares of the Company's Common Stock is reserved for issuance under this Plan. Such number shall be subject to adjustments effected in accordance with Section 14 of this Plan. The Company intends this Plan to qualify as an "employee stock purchase plan" under Section 423 of the Code (including any amendments to or replacements of such Section), and this Plan shall be so construed. Capitalized terms not defined in the text are defined in Section 26 below. Any term not expressly defined in this Plan that is defined in Section 423 of the Code shall have the same definition herein.

**2. Purpose.** The purpose of this Plan is to provide eligible employees of the Company and Participating Subsidiaries with a convenient means of acquiring an equity interest in the Company through payroll deductions, to enhance such employees' sense of participation in the affairs of the Company and Participating Subsidiaries, and to provide an incentive for continued employment.

**3. Administration.** This Plan shall be administered by the Committee. Subject to the provisions of this Plan and the limitations of Section 423 of the Code or any successor provision in the Code, all questions of interpretation or application of this Plan and any agreement or document executed pursuant to this Plan shall be determined by the Committee and its decisions shall be final and binding upon all Participants. The Committee shall have full power and authority to prescribe, amend and rescind rules and regulations relating to this Plan, including determining the forms and agreements used in connection with this 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 or her designee, the authority to approve revisions to the forms and agreements used in connection with this Plan that are designed to facilitate administration of the Plan and that are not inconsistent with the Plan or with any resolutions of the Committee relating to the Plan. The Committee may amend this Plan as described in Section 25 below. Members of the Committee shall receive no compensation for their services in connection with the administration of this Plan, other than standard fees as established from time to time by the Board for services rendered by Committee members serving on Board committees. All

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<sup>1</sup> On July 30, 2003 the Company's Board of Directors amended this Plan to increase the authorized share pool by 500,000 shares from 4,900,000 to 5,400,000 shares. This 500,000 share increase was approved by the Company's stockholders at the Company's October 30, 2003 Annual Meeting.

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expenses incurred in connection with the administration of this Plan shall be paid by the Company.

**4. Eligibility.**

(a) Prior to the Offering Period commencing December 16, 2001, any employee of the Company or of any Participating Subsidiary is eligible to participate in an Offering Period under this Plan, except the following:

- (i) employees who are not employed fifteen (15) days before the beginning of such Offering Period;
- (ii) employees who are customarily employed for less than twenty (20) hours per week;
- (iii) employees who are customarily employed for less than five (5) months in a calendar year; and

(iv) employees who, together with any other person whose stock would be attributed to such employee pursuant to Section 424(d) of the Code, own stock or hold options to purchase stock possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of the Company or any of its Subsidiaries or who, as a result of being granted an option under this Plan with respect to such Offering Period, would own stock or hold options to purchase stock possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of the Company or any of its Subsidiaries.

(b) Effective with the Offering Period commencing December 16, 2001, any employee of the Company or of any Participating Subsidiary is eligible to participate in an Offering Period under this Plan, except the following:

- (i) employees who are not employed fifteen (15) days before the beginning of such Offering Period; and

(ii) employees who, together with any other person whose stock would be attributed to such employee pursuant to Section 424(d) of the Code, own stock or hold options to purchase stock possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of the Company or any of its Subsidiaries or who, as a result of being granted an option under this Plan with respect to such Offering Period, would own stock or hold options to purchase stock possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of the Company or any of its Subsidiaries.

(c) An individual who provides services to the Company, or any Participating Subsidiary, as an independent contractor shall not be considered an "employee" for purposes of this Section 4 or this Plan, and shall not be eligible to participate in the Plan, except during

such periods as the Company or the Participating Subsidiary, as applicable, is required to withhold U.S. federal employment taxes for the individual. This exclusion from participation shall apply even if the individual is reclassified as an employee, rather than an independent contractor, for any purpose other than U.S. federal employment tax withholding.

#### **5. Offering Dates.**

(a) Prior to the Offering Period commencing June 16, 2001, Offering Periods shall be of six (6) months duration commencing on December 16 and June 16 of each year and ending on June 15 and December 15 of each year, except for the first and second Offering Periods under this Plan. The first Offering Period began on January 1, 1997 and ended on June 30, 1997, and the second Offering Period began on July 1, 1997 and ended on December 15, 1997.

(b) Effective with the Offering Period commencing June 16, 2001, Offering Periods shall be of twelve (12) months duration commencing on December 16 and June 16 of each year and ending on the following December 15 and June 15. Each Offering Period shall consist of two six-month Accrual Periods during which payroll deductions of the Participants are accumulated under this Plan.

(c) Effective with the Offering Period commencing June 16, 2003, Offering Periods shall be of twelve (12) months duration commencing on each June 16, September 16, December 16 and March 16 and ending on the following June 15, September 15, December 15 and March 15, respectively. Each Offering Period shall consist of four three-month Accrual Periods during which payroll deductions of the Participants are accumulated under this Plan. The Offering Period commencing December 16, 2002 shall be a transitional Offering Period of twelve (12) months duration comprised of one six-month Accrual Period commencing on December 16, 2002 and ending on June 15, 2003 and two three-month Accrual Periods, the first commencing on June 16, 2003 and ending on September 15, 2003 and the second commencing on September 16, 2003 and ending on December 15, 2003.

(d) The Committee shall have the power to change the duration of Offering Periods with respect to future offerings without stockholder approval if such change is announced prior to the scheduled beginning of the first Offering Period to be affected.

**6. Participation in this Plan.** An eligible employee may become a Participant in an Offering Period on the first Offering Date after satisfying the eligibility requirements by following the enrollment procedures established by the Company and enrolling in the Plan by the enrollment deadline established by the Company before such Offering Date. The enrollment deadline shall be the same for all eligible employees with respect to a given Offering Period. An eligible employee who does not timely enroll after becoming eligible to participate in such Offering Period shall not participate in that Offering Period or any subsequent Offering Period unless such employee follows the enrollment procedures established by the Company and enrolls in this Plan by the enrollment deadline established by the Company before a subsequent Offering Date. A Participant will automatically participate in each Offering Period commencing immediately following the last day of the prior Offering Period unless he or she withdraws or is deemed to withdraw from this Plan or terminates

further participation in the Offering Period as set forth in Sections 11 or 12 below. A Participant is not required to file any additional agreement in order to continue participation in this Plan. An employee may only participate in one Offering Period at a time.

**7. Grant of Option on Enrollment.** Enrollment by an eligible employee in this Plan with respect to an Offering Period will constitute the grant (as of the Offering Date) by the Company to such Participant of an option to purchase on the Purchase Date up to that number of shares of Common Stock of the Company determined by dividing (a) the amount accumulated in such employee's payroll deduction account during the applicable Accrual Period in such Offering Period by (b) the lower of (i) eighty-five percent (85%) of the Fair Market Value of a share of the Company's Common Stock on the Offering Date (but in no event less than the par value of a share of the Company's Common Stock), or (ii) eighty-five percent (85%) of the Fair Market Value of a share of the Company's Common Stock on the Purchase Date (but in no event less than the par value of a share of the Company's Common Stock); provided, however, that the number of shares of the Company's Common Stock subject to any option granted pursuant to this Plan shall not exceed the maximum number of shares which may be purchased pursuant to Sections 10(a), 10(b) or 10(c) below with respect to the applicable Accrual Period. The fair market value of a share of the Company's Common Stock shall be determined as provided in Section 8 hereof.

**8. Purchase Price.** The purchase price per share at which a share of Common Stock will be sold to Participants in any Offering Period shall be eighty-five percent (85%) of the lesser of:

- (a) The Fair Market Value on the Offering Date; or
- (b) The Fair Market Value on the Purchase Date;

provided, however, that in no event may the purchase price per share of the Company's Common Stock be below the par value per share of the Company's Common Stock.

**9. Payment Of Purchase Price; Changes In Payroll Deductions; Issuance Of Shares.**

(a) The purchase price of the shares is accumulated by regular payroll deductions made during each Accrual Period in an Offering Period. The deductions are made as a percentage of the Participant's compensation in one percent (1%) increments not less than two percent (2%), nor greater than ten percent (10%) or such lower limit set by the Committee. Compensation shall mean base salary and commissions. Payroll deductions shall commence on the first payday of each Accrual Period and shall end on the last payday that occurs in such Accrual Period unless sooner altered or terminated as provided in this Plan. Notwithstanding the foregoing, if the last payday that occurs in an Accrual Period is within five business days prior to the Purchase Date, the last payday may be deemed to be the immediately preceding payday, provided that such determination is made and announced prior to the scheduled beginning of the applicable Accrual Period.

(b) A Participant may change the rate of payroll deductions during an Offering Period as set forth below:

(i) Effective for Offering Periods commencing on or before December 16, 2002 (and through the first six-month Accrual Period in such Offering Period), a Participant may lower (but not increase) the rate of payroll deductions during an Offering Period by filing with the Company a new authorization for payroll deductions, in which case the new rate shall become effective after the Company's receipt of the authorization in accordance with the Company's administrative procedures for the Plan and shall continue for the remainder of the Offering Period unless changed as described below. Such change lowering the rate of payroll deductions may be made at any time during an Offering Period, but not more than one (1) change may be made effective during any Accrual Period. A Participant who lowers his or her rate of payroll deduction during an Accrual Period may later request to cease payroll deductions during the same Accrual Period under Section 9(d) below through the first six-month Accrual Period in the Offering Period commencing December 16, 2002.

(ii) Effective beginning with the first three-month Accrual Period in the Offering Period commencing December 16, 2002 and for each subsequent Offering Period, a Participant may lower or increase the rate of payroll deductions to be effective with the next Accrual Period in the Offering Period in which the Participant is enrolled by filing with the Company a new authorization for payroll deductions. The Participant must file the authorization before the beginning of the next Accrual Period during the same time period as enrollment is open under Section 6 above.

(c) A Participant may increase or decrease the rate of payroll deductions for any subsequent Offering Period by filing with the Company a new authorization for payroll deductions before the beginning of such Offering Period by the deadline established by the Company and in accordance with the Company's administrative procedures for the Plan.

(d) Effective with the Offering Period commencing December 16, 2000 and ending with the first six-month Accrual Period in the Offering Period commencing December 16, 2002, a participant may reduce his or her payroll deduction rate to zero during an Offering Period by filing with the Company a request to cease payroll deductions. Such request shall be effective after the Company's receipt of the request in accordance with the Company's administrative procedures for the Plan and provided the payroll deduction suspension request is made by the deadline established by the Company no further payroll deductions will be made for the duration of the Offering Period. Payroll deductions credited to the Participant's account prior to the effective date of the request shall be used to purchase shares of Common Stock of the Company in accordance with Section 9(f) below. A Participant may not resume making payroll deductions during the Offering Period in which he or she reduces his or her payroll deduction rate to zero. Unless the Participant elects to withdraw effective following the purchase in accordance with Section 11 below, the Participant's payroll deductions will automatically restart for the Offering Period that begins immediately following the Purchase Date at the rate that was in effect before the Participant filed his or her request to cease payroll deductions.

(e) All payroll deductions made for a Participant are credited to his or her account under this Plan and are deposited with the general funds of the Company. No interest accrues on the payroll deductions. All payroll deductions received or held by the Company may be used by the Company for any corporate purpose, and the Company shall not be obligated to segregate such payroll deductions.

(f) On each Purchase Date, so long as this Plan remains in effect and provided that the Participant has not timely submitted a signed and completed withdrawal form before that date which notifies the Company that the Participant wishes to withdraw from that Offering Period under this Plan and have all payroll deductions accumulated in the account maintained on behalf of the Participant as of that date returned to the Participant, the Company shall apply the funds then in the Participant's account to the purchase of whole shares of Common Stock reserved under the option granted to such Participant with respect to the Offering Period to the extent that such option is exercisable on the Purchase Date. The purchase price per share shall be as specified in Section 8 of this Plan. Effective with the Offering Period commencing June 16, 2001, any cash remaining in a Participant's account after such purchase of shares because the amount is insufficient to purchase a whole share shall be returned to the Participant, without interest. Prior to the Offering Period commencing June 16, 2001, any cash remaining in a Participant's account after such purchase of shares because the amount is insufficient to purchase a whole share shall be carried forward, without interest, into the next Accrual Period. Any cash remaining in a Participant's account after such purchase due to the limitations in Section 10 below shall be returned to the Participant, without interest. Subject to Section 12 below, no Common Stock shall be purchased on a Purchase Date on behalf of any employee or former employee whose participation in this Plan has terminated prior to such Purchase Date.

(g) As promptly as practicable after the Purchase Date, the Company shall issue shares representing the shares purchased.

(h) During a Participant's lifetime, such Participant's option to purchase shares hereunder is exercisable only by him or her. The Participant will have no interest or voting right in shares covered by his or her option until such option has been exercised. Shares issued for the benefit of a Participant under this Plan will be issued to an account in the name of the Participant or in the name of the Participant and his or her spouse.

#### **10. Limitations on Shares to be Purchased.**

(a) No Participant shall be entitled to purchase stock under this Plan at a rate which, when aggregated with his or her rights to purchase stock under all other employee stock purchase plans of the Company or any Subsidiary, exceeds \$25,000 in fair market value, determined as of the Offering Date (or such other limit as may be imposed by the Code) for each calendar year in which the employee is a Participant in this Plan.

(b) No more than twice the number of shares that the Participant could have purchased at the price on an Offering Date may be purchased by a Participant on any single Purchase Date within that Offering Period.

(c) No Participant shall be entitled to purchase more than the Maximum Share Amount on any single Purchase Date. Prior to the commencement of any Offering Period, the Committee may, in its sole discretion, set a Maximum Share Amount. In no event shall the Maximum Share Amount exceed the amounts permitted under Section 10(b) above. If a new Maximum Share Amount is set, then all Participants must be notified of such Maximum Share Amount prior to the deadline established by the Company to enroll or change the rate of payroll deductions for the next Offering Period. Once the Maximum Share Amount is set, it shall continue to apply with respect to all succeeding Offering Periods unless revised by the Committee as set forth above.

(d) If the number of shares to be purchased on a Purchase Date by all Participants exceeds the number of shares then available for issuance under this Plan, then the Company will make a pro rata allocation of the remaining shares in as uniform a manner as shall be reasonably practicable and as the Committee shall determine to be equitable. In such event, the Company shall give written notice of such reduction of the number of shares to be purchased under a Participant's option to each Participant affected thereby.

(e) Any payroll deductions accumulated in a Participant's account which are not used to purchase stock due to the limitations in this Section 10 shall be returned to the Participant as soon as practicable after the end of the applicable Accrual Period, without interest.

#### **11. Withdrawal.**

(a) Each Participant may withdraw from an Offering Period under this Plan by withdrawing from the Plan in accordance to the procedures established by the Company by the deadline established by the Company for withdrawals.

(b) Upon withdrawal from this Plan, the accumulated payroll deductions shall be returned to the withdrawn Participant, without interest, and his or her interest in this Plan shall terminate. In the event a Participant withdraws from this Plan in accordance with Section 11(a), he or she may not resume his or her participation in this Plan during the same Offering Period, but he or she may participate in any Offering Period under this Plan which commences on a date subsequent to such withdrawal by filing a new authorization for payroll deductions in the same manner as set forth above in Section 6 for initial participation in this Plan.

(c) If the Fair Market Value on the first day of a current Offering Period in which a Participant is enrolled is higher than the Fair Market Value on the first day of any subsequent Offering Period, the current Offering Period will end following the Purchase Date and the Company will automatically enroll such Participant in the Offering Period that begins immediately following the Purchase Date. Any funds accumulated in the Participant's account prior to the first day of such subsequent Offering Period will be applied to the purchase of shares on the Purchase Date immediately prior to the first day of such subsequent Offering Period. A Participant does not need to file any forms with the Company to

automatically be enrolled in the subsequent Offering Period in accordance with this Section 11(c).

**12. Termination of Employment.**

(a) Effective with the Offering Period commencing December 16, 2001 and ending with the Purchase Date of the first six-month Accrual Period in the Offering Period commencing December 16, 2002, if a Participant terminates employment for any reason within ninety (90) days prior to a Purchase Date, payroll deductions credited to the Participant's account prior to the date his or her employment terminates shall be used to purchase shares of Common Stock of the Company in accordance with Section 9(f) above. If, however, the Participant or, in the event of the Participant's death, the Participant's legal representative, elects to withdraw from the Plan in accordance with Section 11 above, payroll deductions credited to the Participant's account prior to the date his or her employment terminates shall be returned to the Participant or, in the case of his or her death, to his or her legal representative, without interest. If a Participant terminates employment for any reason more than ninety (90) days prior to a Purchase Date, payroll deductions credited to the Participant's account prior to the date his or her employment terminates shall be returned to him or her or, in the case of his or her death, to his or her legal representative, without interest.

(b) Prior to the Offering Period commencing December 16, 2001 and effective immediately following the first Purchase Date of the Offering Period commencing December 16, 2002 and for subsequent Offering Periods, termination of a Participant's employment for any reason, including retirement, death or the failure of a Participant to remain an eligible employee under Section 4 above, immediately terminates his or her participation in this Plan. In such event, the payroll deductions credited to the Participant's account will be returned to him or her or, in the case of his or her death, to his or her legal representative, without interest.

(c) For purposes of this Section 12, an employee will not be deemed to have terminated employment or failed to remain an eligible employee in the case of sick leave, military leave, or any other leave of absence approved by the Committee; provided that such leave is for a period of not more than ninety (90) days or reemployment upon the expiration of such leave is guaranteed by contract or statute.

**13. Return of Payroll Deductions.** In the event a Participant's interest in this Plan is terminated by withdrawal, termination of employment or otherwise, or in the event this Plan is terminated, the Company shall promptly deliver to the Participant all payroll deductions credited to such Participant's account. No interest shall accrue on the payroll deductions of a Participant in this Plan.

**14. Capital Changes.** Subject to any required action by the stockholders of the Company, the number of shares of Common Stock covered by each option under this Plan which has not yet been exercised and the number of shares of Common Stock which have been authorized for issuance under this Plan but have not yet been placed under option, as



well as the price per share of Common Stock covered by each option under this Plan which has not yet been exercised, shall be proportionately adjusted for any increase or decrease in the number of issued and outstanding shares of Common Stock of the Company resulting from a stock split or the payment of a stock dividend (but only on the Common Stock) or any other increase or decrease in the number of issued and outstanding shares of Common Stock effected without receipt of any consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration"; and provided further, that the price per share of Common Stock shall not be reduced below its par value per share. Such adjustment shall be made by the Committee, whose determination shall be final, binding and conclusive. Except as expressly provided herein, no issue by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock subject to an option.

In the event of the proposed dissolution or liquidation of the Company, each Offering Period will terminate immediately prior to the consummation of such proposed action and the accrued payroll deductions will be returned to each Participant without interest, unless otherwise provided by the Committee. The Committee may, in the exercise of its sole discretion in such instances, shorten each Offering Period in progress and establish a new Purchase Date (the "Special Purchase Date") upon which the accrued payroll deductions of each Participant who does not elect to withdraw his or her payroll deductions will be used to purchase whole shares with any remaining cash balance in a Participant's account being returned to such Participant as soon as administratively practicable following the Special Purchase Date. In the event of a proposed sale of all or substantially all of the assets of the Company, or the merger or consolidation of the Company with or into another corporation, each option under this Plan shall be assumed or an equivalent option shall be substituted by such successor corporation or a parent or subsidiary of such successor corporation. In the event the successor corporation does not assume or substitute such options, the Committee shall shorten each Offering Period in progress and establish a Special Purchase Date upon which the accrued payroll deductions of each Participant who does not elect to withdraw his or her payroll deductions will be used to purchase whole shares with any remaining cash balance in a Participant's account being returned to such Participant as soon as administratively practicable following the Special Purchase Date. The price at which each share may be purchased on such Special Purchase Date shall be calculated in accordance with Section 8 above as if "Purchase Date" were replaced by "Special Purchase Date".

The Committee may, if it so determines in the exercise of its sole discretion, also make provision for adjusting the Reserves, as well as the price per share of Common Stock covered by each outstanding option, in the event that the Company effects one or more reorganizations, recapitalizations, rights offerings or other increases or reductions of shares of its outstanding Common Stock, or in the event of the Company being consolidated with or merged into any other corporation; provided, that the price per share of Common Stock shall not be reduced below its par value per share.

**15. Nonassignability.** Neither payroll deductions credited to a Participant's account nor any rights with regard to the exercise of an option or to receive shares under this Plan may be assigned, transferred, pledged or otherwise disposed of in any way (other than by will, the laws of descent and distribution or as provided in Section 22 hereof) by the Participant. Any such attempt at assignment, transfer, pledge or other disposition shall be void and without effect.

**16. Reports.** Individual accounts will be maintained for each Participant in this Plan. Each Participant shall receive promptly after the end of each Offering Period a report of his or her account setting forth the total payroll deductions accumulated, the number of shares purchased, the per share price thereof and any cash remaining in the Participant's account after the shares are purchased.

**17. Notice of Disposition.** Effective January 1, 2003, in order that the Company may properly report the compensation attributable to a Participant's disposition of shares purchased under this Plan, the Company may require Participants to keep shares purchased under this Plan in an account established with a broker dealer approved by the Company until the Participant sells, gifts or transfers such shares by descent or distribution. Prior to such Offering Period, each Participant may be required to notify the Company if the Participant disposes of any of the shares purchased in any Offering Period pursuant to this Plan if such disposition occurs within the Notice Period. The Company may, at any time during the Notice Period, place a legend or legends on any certificate representing shares acquired pursuant to this Plan requesting the Company's transfer agent to notify the Company of any transfer of the shares. The obligation of the Participant to provide such notice shall continue notwithstanding the placement of any such legend on the certificates.

**18. No Rights to Continued Employment.** Neither this Plan nor the grant of any option hereunder shall confer any right on any employee to remain in the employ of the Company or any Subsidiary, or restrict the right of the Company or any Subsidiary to terminate such employee's employment.

**19. Equal Rights And Privileges.** All eligible employees shall have equal rights and privileges with respect to this Plan so that this Plan qualifies as an "employee stock purchase plan" within the meaning of Section 423 or any successor provision of the Code and the related regulations. Any provision of this Plan which is inconsistent with Section 423 or any successor provision of the Code shall, without further act or amendment by the Company or the Committee, be reformed to comply with the requirements of Section 423. This Section 19 shall take precedence over all other provisions in this Plan.

**20. Notices.** All notices or other communications by a Participant to the Company under or in connection with this Plan shall be deemed to have been duly given when received in the form specified by the Company at the location, or by the person, designated by the Company for the receipt thereof.

**21. Term; Stockholder Approval.** This Plan became effective October 7, 1996, the date on which it was adopted by the Board and was approved by the stockholders of the

Company, in a manner permitted by applicable corporate law, within twelve (12) months after the date this Plan was adopted by the Board. No purchase of shares pursuant to this Plan occurred prior to such stockholder approval. This Plan shall continue until the earlier to occur of (a) termination of this Plan by the Board or the Committee (which termination may be effected at any time), (b) issuance of all of the shares of Common Stock reserved for issuance under this Plan, or (c) ten (10) years from the adoption of this Plan by the Board.

## **22. Death of a Participant.**

(a) Effective with the Offering Period commencing December 16, 2001 and ending with the Purchase Date of the first six-month Accrual Period in the Offering Period commencing December 16, 2002, in the event of a Participant's death, payroll deductions in his or her account shall, in accordance with Section 12(a) above, and the Participant's will or the laws of descent and distribution to the extent consistent with this Plan, either (i) purchase Shares on the next Purchase Date in accordance with Section 12(a); or (ii) be refunded to the Participant's legal representative in accordance with Section 12(a). Effective immediately following the first Purchase Date of the Offering Period commencing December 16, 2002 and for subsequent Offering Periods in the event of a Participant's death, payroll deductions in his or her account shall be refunded to the Participant's legal representative in accordance with Section 12(b). Any shares purchased under the Plan on behalf of a Participant are to be treated in accordance with the Participant's will or the laws of descent and distribution.

(b) Prior to the Offering Period commencing December 16, 2001, a Participant may file a written designation of a beneficiary who is to receive any shares and cash, if any, from the Participant's account under this Plan in the event of such Participant's death subsequent to the end of an Offering Period but prior to delivery to him of such shares and cash. In addition, a Participant may file a written designation of a beneficiary who is to receive any cash from the Participant's account under this Plan in the event of such Participant's death prior to a Purchase Date.) Such designation of beneficiary may be changed by the Participant at any time by written notice. In the event of the death of a Participant and in the absence of a beneficiary validly designated under this Plan who is living at the time of such Participant's death, the Company shall deliver such shares or cash to the executor or administrator of the estate of the Participant, or if no such executor or administrator has been appointed (to the knowledge of the Company), the Company, in its discretion, may deliver such shares or cash to the spouse or to any one or more dependents or relatives of the Participant, or if no spouse, dependent or relative is known to the Company, then to such other person as the Company may designate.

**23. Conditions Upon Issuance of Shares; Limitation on Sale of Shares.** Shares shall not be issued with respect to an option unless the exercise of such option and the issuance and delivery of such shares pursuant thereto shall comply with all applicable provisions of law, domestic or foreign, including, without limitation, the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder, and the requirements of any stock exchange or automated quotation system upon which the shares may then be listed, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

**24. Applicable Law.** The Plan shall be governed by the substantive laws (excluding the conflict of laws rules) of the State of California.

**25. Amendment or Termination of this Plan.** The Committee may at any time amend, terminate or extend the term of this Plan, except that any such termination cannot affect options previously granted under this Plan, nor may any amendment make any change in an option previously granted which would adversely affect the right of any Participant.

Notwithstanding the prohibition against affecting options previously granted under this Plan, this Plan or an Offering Period may be terminated by the Committee on a Purchase Date or by the Committee's setting a new Purchase Date with respect to an Offering Period then in progress if the Committee determines that termination of the Plan and/or the Offering Period is in the best interests of the Company and the stockholders or if continuation of the Plan and/or the Offering Period would cause the Company to incur adverse accounting charges as a result of a change in the generally accepted accounting rules or interpretations thereof that are applicable to this Plan.

The Company must obtain stockholder approval for each amendment of this Plan for which stockholder approval is required by the Code, the rules of any stock exchange or automated quotation system upon which the Company's shares may then be listed, or any other applicable laws or regulation. Such stockholder approval must be obtained, in a manner permitted by applicable corporate law, within twelve (12) months of the adoption of such amendment by the Committee.

**26. Definitions.**

- (a) "Board" means the Board of Directors of the Company.
- (b) "Code" means the Internal Revenue Code of 1986, as amended.
- (c) "Committee" means a committee appointed by the Board. If two or more members of the Board are Outside Directors, the Committee will be comprised of at least two (2) members of the Board, all of whom are Outside Directors. If no Committee has been established references to the "Committee" shall mean the Board.
- (d) "Company" means Intuit Inc., a Delaware corporation.
- (e) "Fair Market Value" means as of any date, the value of a share of the Company's Common Stock determined as follows:
  - (i) 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;

(ii) 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;

(iii) if such Common Stock is publicly traded but is not quoted on the Nasdaq National Market or 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

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

- (f) "Maximum Share Amount" means the maximum number of shares which may be purchased by any employee at any single Purchase Date.
- (g) "Notice Period" is the period beginning two (2) years from the Offering Date and one (1) year from the Purchase Date on which such shares were purchase.
- (h) "Offering Date" is the first business day of each Offering Period.
- (i) "Offering Period" means through the Offering Period commencing June 16, 2002, a twelve-month period containing two six-month Accrual Periods. Effective with the Offering Period commencing June 16, 2003, Offering Period means a twelve-month period containing four three-month Accrual Periods. The transitional Offering Period commencing December 16, 2002 shall be a twelve-month period containing one six-month Accrual Period and two three-month Accrual Periods. Effective prior to June 16, 2001, the Offering Period was six-months in length and contained one six-month Accrual Period.
- (j) "Outside Directors" means outside directors within the meaning of Code Section 162(m).
- (k) "Participating Subsidiaries" means Subsidiaries that have been designated by the Committee from time to time as eligible to participate in this Plan,
- (l) "Plan" means this Intuit Inc. 1996 Employee Stock Purchase Plan, as amended from time to time.

- (m) "Parent Corporation" and "Subsidiary" (collectively, "Subsidiaries") shall have the same meanings as "parent corporation" and "subsidiary corporation" in Code Sections 424(e) and 424(f).
- (n) "Participant" means an employee who meets the eligibility requirements of Section 4 above and timely enrolls in the Plan in accordance with Section 6 above.
- (o) "Purchase Date" is the last business day of each Accrual Period.
- (p) "Accrual Period" means prior to June 16, 2003, a six-month period during which payroll deductions are accumulated and effective June 16, 2003 means, a three-month period during which payroll deductions are accumulated.
- (q) "Reserves" means (i) the number of shares of Common Stock covered by each option under this Plan which has not yet been exercised and (ii) the number of shares of Common Stock which have been authorized for issuance under this Plan but have not yet been placed under option.

INTUIT INC. 2002 EQUITY INCENTIVE PLAN  
STOCK BONUS AGREEMENT

## EXECUTIVE STOCK OWNERSHIP PROGRAM MATCHING UNIT

Intuit Inc., a Delaware corporation (the "Company"), hereby grants you a matching restricted stock unit in the form of a Stock Bonus Award ("Award") pursuant to the Company's 2002 Equity Incentive Plan (the "Plan"), for the number of shares of the Company's Common Stock, \$0.01 par value per share ("Common Stock") set forth below. This Award is subject to all of the terms and conditions of the Plan, which is incorporated into this Agreement by reference. All capitalized terms in this Stock Bonus Agreement ("Agreement") that are not defined in this Agreement have the meanings given to them in the Plan.

**Name of Participant:**  
**Social Security Number:**  
**Address:**

**Number of Shares:**  
**Date of Grant:**  
**Vesting Date:**

**Vesting:** Subject to the forfeiture provisions set forth in this Agreement, this Award will vest as to 100% of the Number of Shares on the Vesting Date set forth above, provided you have remained employed by the Company through that date. The Vesting Date is the fourth anniversary of the Date of Grant.

In the event of your Termination prior to the Vesting Date, the following provisions will govern the vesting of this Award:

**Termination due to Resignation or by Company for Cause:** In the event of your Termination prior to the Vesting Date due to your resignation or termination of employment by the Company for Cause, this Award will terminate without having vested as to any of the shares subject to this Award and you will have no right or claim to anything under this Award. For purposes of this Award, Cause means (i) you have been convicted of a misdemeanor that involves moral turpitude or the embezzlement of property of the Company or one of its affiliates; (ii) you have been convicted of a felony under the laws of the United States or any state thereof; (iii) your willful misconduct in the performance of your duties as a Company employee; (iv) your gross negligence in the performance of your duties as a Company employee; or (v) you have persistently failed to follow the lawful instructions of your manager relating to an activity within the scope of your duties. In order for a condition identified in (iv) or (v) to constitute Cause, the Company shall first have provided you with (A) at least thirty days' written notice of the alleged actions setting forth with specificity the events or failures complained of and (B) an opportunity to remedy to the reasonable satisfaction of your manager such condition within such thirty day period and you shall have failed to remedy such condition.

**Termination due to Retirement or by Company for other than Cause:** In the event of your Termination prior to the Vesting Date due to your Retirement or termination of employment by the Company for reasons other than Cause, you will vest pro-rata in a percentage of the Number of Shares equal to your number of full months of service since the Date of Grant divided by forty-eight months, rounded down to the nearest whole share of Intuit Common Stock, and the Vesting Date under this Agreement will be your Termination Date. For purposes of this Award, Retirement means the Termination of your employment with the Company after you have reached an age and service requirement determined by the Committee or its delegate.

**Termination due to Death or Total Disability:** In the event of your Termination prior to the Vesting Date due to your death or Total Disability, this Award will vest as to 100% of the Number of the Shares on your Termination Date, and the Vesting Date under this Agreement will be your Termination Date. For purposes of this Award, Total Disability is defined in Section 5.6(a) of the Plan.

**Termination Within One Year Following Corporate Transaction:** In the event of your Termination prior to the Vesting Date, but within one year following the date of a Corporate Transaction, this Award will vest as to 100% of the Number of the Shares on your Termination Date, and the Vesting Date under this Agreement will be your Termination Date. For purposes of this Award, Corporate Transaction is defined in Section 23(h) of the Plan.

**Forfeiture:** You acknowledge and agree that if prior to the date on which you vest fully in this Award you sell, gift or otherwise transfer the shares you purchased that caused the Company to grant you this Award, this Award will terminate and you will forfeit all rights to this Award and any shares subject hereto, unless the Company determines in its sole discretion that you continue to hold other shares of the Company's

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Common Stock in a number equal to or greater than the number of shares that caused the Company to grant you this Award.

Issuance of Shares under this Award: The Company will issue you the shares subject to this Award on the later of: (1) the Vesting Date; or (2) your Voluntary Deferral of Share Issuance Date. Until the date the shares are issued to you, you will have no rights as a stockholder of the Company and the shares subject to this Award will not count as owned by you under the Company's share ownership requirements.

Withholding Taxes: When the vesting and issuance of the shares under this Award gives rise to a federal or other governmental income or employment tax withholding obligation on the part of the Company, the Company will withhold from the shares issued to you a number of whole shares having a Fair Market Value equal to the minimum amount to be withheld to satisfy the withholding obligation and will transmit the equivalent cash amount to the applicable taxing authorities. If you have made a voluntary deferral of the share issuance to a date later than the Vesting Date in accordance with the provisions set forth in this Agreement, you agree that you will remit cash to the Company (through payroll deduction or otherwise) in an amount sufficient to satisfy any withholding obligation resulting from the vesting of the shares under this Award. (As of the date of this Agreement, federal income tax withholding is not required until share issuance. However, a FICA and Medicare withholding obligation triggers on the Vesting Date even if you have made a voluntary deferral of the share issuance to a date later than the Vesting Date). Fair Market Value of the shares shall be determined in accordance with Section 23(m) of the Plan on the date that the amount of tax to be withheld is to be determined.

Voluntary Deferral of Share Issuance: You may voluntarily elect to defer the issuance of the shares under this Award to a date after the Vesting Date that is no later than the first day of the fiscal year following the date on which you are no longer an employee of the Company (your "Voluntary Deferral of Share Issuance Date"). You must make this election no later than the third anniversary of the Date of Grant by filing a voluntary deferral election request in a form acceptable to the Committee or its delegate.

This Agreement (including the Plan, which is incorporated by reference) constitutes the entire agreement between you and the Company with respect to this Award, and supersedes all prior agreements or promises with respect to the Award. Except as provided in the Plan, this Agreement may be amended only by a written document signed by the Company and you. Subject to the terms of the Plan, the Company may assign any of its rights and obligations under this Agreement, and this Agreement shall be binding on, and inure to the benefit of, the successors and assigns of the Company. Subject to the restrictions on transfer of the Option described in Section 11 of the Plan, this Agreement shall be binding on your permitted successors and assigns (including heirs, executors, administrators and legal representatives). All notices required under this Agreement or the Plan must be mailed or hand-delivered to the Company or to you at its or your respective addresses set forth in this Agreement, or at such other address designated in writing by either of the parties to the other.

The Company has signed this Award Agreement effective as the Date of Grant.

INTUIT INC  
2632 Marine Way  
Mountain View, California 94043

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

Robert B. Henske, Chief Financial Officer

#### PARTICIPANT'S ACCEPTANCE

I accept this Agreement effective as of the Date of Grant and agree to the terms and conditions in this Agreement and the Plan. I acknowledge that I have received a copy of the Plan, and I understand and agree that this Agreement is not meant to interpret, extend, or change the Plan in any way, or to represent the full terms of the Plan. If there is any discrepancy, conflict or omission between this Agreement and the provisions of the Plan as interpreted by the Company, the provisions of the Plan shall apply.

Signed: \_\_\_\_\_





July 23, 2003

Nicholas Spaeth

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Dear Nick:

On behalf of the Intuit team, it is with great pleasure that I extend to you this formal offer of employment, to join us in the position of Senior Vice President and General Counsel, reporting directly to me. We have all been impressed and excited by your talents, energy and experience, and are excited about the prospect of you joining our team.

The terms of our offer are as follows:

**START DATE**

We anticipate that you will start employment with Intuit on August 25, 2003.

**BASE COMPENSATION**

For your services, you will be paid an annual base salary of \$450,000, payable in bi-weekly installments and in accordance with Intuit's standard payroll practices.

**SIGN-ON BONUS**

You will be paid a sign-on bonus of \$242,493.98 ("Sign-On Bonus") to net after minimum mandatory federal and state income and payroll withholding taxes a \$150,000 payment in your first Intuit paycheck. In the event that you resign within twelve months of your Start Date, you agree to repay a prorated portion of the Sign-On Bonus back to Intuit. To determine the amount to be repaid, Intuit will take the total pre-tax Sign-On Bonus amount and reduce it by one-twelfth (1/12) for every complete month of service after your Start Date.

**2003 CALENDAR YEAR-END BONUS**

You will be paid a \$200,000 bonus ("2003 CYE Bonus") on December 31, 2003 provided you are employed on that date. The 2003 CYE Bonus will be paid to you net of federal and state income and payroll withholding taxes, it will not be grossed up for taxes.

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## ANNUAL PERFORMANCE BASED BONUS

You will be eligible to participate in Intuit's Performance Incentive Plan ("IPI"), a cash incentive compensation program. Your participation in the IPI for the 2004 fiscal year (August 1, 2003 through July 31, 2004) will be 60% of your base salary at target. Payouts under the IPI are tied to the achievements of Intuit and individual performance and are made to individuals who are employed on the date the IPI payment is made. The actual amount of your award will be determined in accordance with the terms and conditions outlined in the IPI plan document.

## NONQUALIFIED DEFERRED COMPENSATION PLAN CONTRIBUTIONS

If you are employed by Intuit on the first anniversary of your Start Date, Intuit will make a fully vested employer contribution of \$100,000 on your behalf to the Intuit Inc. Executive Deferred Compensation Plan (the "NQDCP"). Intuit will make this contribution net of required payroll withholding taxes within thirty days following the first anniversary of your Start Date. You will not be entitled to this contribution if your Intuit employment terminates prior to the first anniversary of your Start Date.

If you are employed by Intuit on the second anniversary of your Start Date, Intuit will make a fully vested employer contribution of \$100,000 on your behalf to the NQDCP. Intuit will make this second contribution net of required payroll withholding taxes within thirty days following the second anniversary of your Start Date. You will not be entitled to this contribution if your Intuit employment terminates prior to the second anniversary of your Start Date.

If you are employed by Intuit on the third anniversary of your Start Date, Intuit will make a fully vested employer contribution of \$100,000 on your behalf to the NQDCP. Intuit will make this third contribution net of required payroll withholding taxes within thirty days following the third anniversary of your Start Date. You will not be entitled to this contribution if your Intuit employment terminates prior to the third anniversary of your Start Date.

In accordance with the terms and conditions of the NQDCP, these contributions will be credited with earnings pursuant to your investment elections and you will be able to elect when to take distributions of these contributions and any earnings credited thereon.

## EQUITY

You will receive rights, subject to approval by the Compensation Committee of Intuit's Board of Directors, to purchase 200,000 shares of Intuit's Common Stock in the form of non-qualified stock options. These options will be granted to you at an exercise price per share equal to the closing price of Intuit's Common Stock on the Nasdaq National Market on the date of grant. The date of grant will be your Start Date. If that is not a trading date, your exercise price per share will be equal to the closing price of Intuit's Common Stock on the last trading day preceding your Start Date. The options will be subject to the terms of the Intuit Inc. 2002 Equity Incentive Plan. The options will vest over three years as to 33-1/3% of the option shares twelve months from the date of the grant, and as to an additional 2.778% of the option shares monthly thereafter for the next two years,

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provided you remain employed on the vesting date. The option will have a maximum term of seven years.

#### SHARE OWNERSHIP AND MATCHING UNIT PROGRAM

As a Senior Vice President you will participate in Intuit's Share Ownership and Matching Unit Program. Under this program, you will have three years following your Start Date in which to acquire and hold a minimum of 3,000 shares of Intuit stock. To provide you with an incentive to acquire Intuit stock under this Program, Intuit will award you one matching unit for every two shares of Intuit stock you buy, up to a maximum of 1,500 matching units. The matching units will not count toward the 3,000 share ownership requirement.

Each matching unit will be equal to one share of Intuit stock and will be subject to a 4-year cliff-vesting schedule. Vesting will accelerate if certain events occur, such as your death, disability or retirement. You will forfeit the matching units if you sell, gift or otherwise transfer the shares you purchased for the matching units. Intuit will issue you the shares after you vest in your matching units. You will not be taxed on the matching units until the shares are issued. You may elect to defer the issuance of the shares, and information about how to make a deferral election will be provided when you receive a matching unit award. Intuit will issue you the net number of shares after mandatory withholding taxes.

#### RELOCATION

You will be eligible for Intuit's standard executive relocation benefits under Intuit's Relocation Policy, which includes two home finding trips for your spouse. In addition, you will be eligible for temporary housing through February 28, 2004 at Intuit's expense for up to \$4,000 per month. Temporary housing will be provided to you through Intuit's temporary housing program, currently with Synergy Relocation and Cendant Mobility. In accordance with law, both the home finding trips and temporary housing will be reported as W-2 income to you. In accordance with Intuit's Relocation Policy, Intuit will provide you with tax assistance for applicable taxes. This tax assistance will be calculated pursuant to Intuit's standard gross up calculation methodology for such relocation benefits.

If you voluntarily resign from Intuit within 12 months following your Start Date you must reimburse Intuit for a prorated portion of the relocation benefits paid. To determine the amount to be repaid, Intuit will reduce the gross amount paid to or on behalf of you by one-twelfth (1/12) for every complete month of service after your Start Date.

#### INSURANCE

You will be eligible to participate in Intuit's group health, life and dental insurance plans. Your benefits will be effective on the first day of the month following your Start Date.

#### VACATION

You will accrue three (3) weeks of vacation during your first year of employment.

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#### SICK DAYS

You will be granted 40 hours each calendar year for use in the event of any personal illness. Your sick leave will accrue at the rate of 1.54 hours per pay period (bi-weekly).

#### PERFORMANCE/SALARY REVIEWS

Intuit conducts performance and salary reviews at least once per fiscal year.

#### BACKGROUND CHECK

This offer (and your employment) is contingent on the Company's verification of background information, even if you should commence employment prior to the completion of the Company's background check.

#### CONFIDENTIALITY

This letter confirms our understanding that you are not subject to any employment agreement that would preclude us from offering this position to you or you joining our organization. This also confirms that you will not be asked to disclose to us or utilize any confidential or proprietary information from your prior places of employment, and that you understand that you must not do so. In addition, you will agree to execute and abide by a non-disclosure agreement as a condition of employment.

#### WORK AUTHORIZATION

Federal law requires Intuit to document an employee's authorization to work in the United States. To comply, Intuit must have a completed Form I-9 for you within three business days of your Start Date. You agree to provide Intuit with documentation required by the Form I-9 to confirm your U.S. citizenship, permanent U.S. residency or authorization to work in the United States (e.g., U.S. passport, current drivers license and original birth certificate or social security card) within three business days of your Start Date. You understand and agree that if you do not comply with this requirement by close of business on the third business day following your Start Date, you will be placed on unpaid leave for up to five days to comply. You further understand and agree that failure to provide the necessary documentation by the end of the leave of absence period will result in termination of employment.

This letter also confirms the understanding that employment at Intuit is at the mutual consent of you and Intuit, and is at will in nature and can be terminated at anytime by yourself or Intuit.

This letter constitutes the entire agreement between you and Intuit and supersedes any and all prior agreements between you and Intuit regarding your employment.

Please review these terms and make sure they are consistent with your understanding. If so, please sign and date both copies of this letter and confirm your planned Start Date.

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The original of this letter is for your records.

If you have any questions, please feel free to contact Sherry Whiteley at (650) 944-3624.

Nick, we look forward to you joining the Intuit team.

Sincerely,

/s/ Steve Bennett

Steve Bennett  
President and  
Chief Executive Officer  
Intuit Inc.

AGREED AND ACCEPTED:

/s/ Nicholas Spaeth

\_\_\_\_\_  
Nicholas Spaeth

July 27, 2003

\_\_\_\_\_  
Date

Start Date: August 25, 2003



August 9, 2003

Tom Weigman

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Dear Tom:

On behalf of the Intuit team, it is with great pleasure that I extend to you this formal offer of employment, to join us in the position of Senior Vice President, Chief Marketing Officer, reporting directly to me. We have all been impressed and excited by your talents, energy and experience, and are excited about the prospect of you joining our team.

The terms of our offer are as follows:

**START DATE**

We anticipate that you will start employment with Intuit on September 8, 2003 (your "Start Date").

**BASE COMPENSATION**

For your services, you will be paid an annual base salary of \$475,000, payable in bi-weekly installments and in accordance with Intuit's standard payroll practices.

**SIGN-ON BONUS**

You will be paid a sign-on bonus of \$200,000 ("Sign-On Bonus") in your first Intuit paycheck. The Sign-On Bonus will be paid to you after reduction for required and customary federal and state income and payroll tax withholdings. In the event that you resign within twelve months following your Start Date, you agree to repay a prorated portion of the Sign-On Bonus back to Intuit. To determine the amount to be repaid, Intuit will take the \$200,000 and reduce it by one-twelfth for every completed month of your service to Intuit following your Start Date.

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## ANNUAL PERFORMANCE BASED BONUS

You will be eligible to participate in Intuit's Performance Incentive Plan ("IPI"), a cash incentive compensation program. Your target percentage under the IPI for Intuit's 2004 fiscal year ending July 31, 2004 will be 60% of your base salary. Intuit will not prorate your 2004 fiscal year IPI award. Provided you are employed on the day Intuit pays out the fiscal year 2004 IPI awards, you will be paid an IPI award of at least \$300,000 for the 2004 fiscal year. This IPI award will be paid to you after reduction for required and customary income and payroll tax withholdings.

IPI awards are tied to the achievements of Intuit and the individual's performance. The actual amount of your IPI awards, if any, will be determined in accordance with the IPI plan document. Payouts are made to individuals who are employed at the time Intuit makes the payout.

## EQUITY

You will receive rights, subject to approval by the Compensation Committee of Intuit's Board of Directors, to purchase 200,000 shares of Common Stock of Intuit in the form of non-qualified stock options (your "New-Hire Option"). Your New Hire Option will be granted to you at an exercise price per share equal to the closing price of Intuit's Common Stock on the Nasdaq National Market on the date of grant. The date of grant will be your Start Date or if that is not a trading date, the last trading day preceding your Start Date. Your New Hire Option will have a maximum term of seven years.

Your New Hire Option will be subject to the terms of the Intuit Inc. 2002 Equity Incentive Plan. It will vest over three years as to 33-1/3% of the option shares twelve months from the date of the grant, and as to an additional 2.778% of the option shares monthly thereafter for the next two years, provided you remain employed on the applicable vesting date. Should the successor corporation to Intuit in a Corporate Transaction (as defined in Separation Benefits below) refuse to assume or replace your New Hire Option, your New Hire Option will immediately vest as to 100% of the shares subject to it. This vesting acceleration shall be administered in accordance with the 2002 Equity Incentive Plan.

## SHARE OWNERSHIP AND MATCHING UNIT PROGRAM

As a Senior Vice President you will participate in Intuit's Share Ownership and Matching Unit Program. Under this program, you will have three years following your Start Date in which to acquire and hold a minimum of 3,000 shares of Intuit stock. To provide you with an incentive to acquire Intuit stock, under this program Intuit will award you one matching unit for every two shares of Intuit stock you buy, up to a maximum of 1,500 matching units. The matching units will not count toward the 3,000 share ownership requirement.

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Each matching unit will be equal to one share of Intuit stock and will be subject to a four-year cliff-vesting schedule. Vesting will accelerate if certain events occur, such as your death, disability or retirement. You will forfeit the matching units if you sell, gift or otherwise transfer the shares you purchased for the matching units. Intuit will issue you the shares after you vest in your matching units. You will not be taxed on the matching units until the shares are issued. You may elect to defer the issuance of the shares, and information about how to make a deferral election will be provided when you receive a matching unit award. Intuit will issue you the net number of shares after mandatory withholding taxes.

#### INSURANCE

You will be eligible to participate in Intuit's group health, life and dental insurance plans. Your benefits will be effective on the first day of the month following your Start Date.

#### RELOCATION

You will be eligible for executive relocation benefits under Intuit's Relocation Policy, plus the following two enhancements: (1) relocation benefits under the Policy will be made available to you for up to two years following your Start Date; and (2) you will be eligible for temporary housing through September 30, 2004 at Intuit's expense for up to \$4,000 per month.

Temporary housing will be provided to you through Intuit's temporary housing program, currently with Synergy Relocation and Cendant Mobility. In accordance with law, the temporary housing will be reported as W-2 income to you. In accordance with Intuit's Relocation Policy, Intuit will provide you with tax assistance for applicable taxes. This tax assistance will be calculated pursuant to Intuit's standard gross up calculation methodology for relocation benefits.

If you voluntarily resign from Intuit within twelve months following your Start Date with Intuit, you must reimburse Intuit for a prorated amount of the amount of relocation benefits paid to you or on your behalf. To determine the amount to be repaid, Intuit will reduce the gross amount paid to or on behalf of you by one-twelfth for every complete month of your service to Intuit following your Start Date.

#### VACATION

You will accrue four weeks of vacation during your first year of employment.

#### SICK DAYS

You will be granted forty hours each calendar year for use in the event of any personal illness. Your sick leave will accrue at the rate of 1.54 hours per pay period (bi-weekly).

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## PERFORMANCE/SALARY REVIEWS

Performance and salary reviews are conducted at least once per fiscal year.

## SEPARATION BENEFITS FOLLOWING A CORPORATE TRANSACTION

In the event your employment is involuntary terminated without Cause or you resign from your employment with Intuit for Good Cause within the first twelve months following a Corporate Transaction, you will be entitled to a single lump sum severance payment equal to twelve months of your then current base salary (less applicable deductions and withholdings) payable within thirty days of the date your employment terminates provided you sign a valid and binding release agreement.

In the event of your resignation within twelve months following a Corporate Transaction for a reason that does not constitute Good Cause or termination for Cause, you will not be entitled to any of the foregoing severance benefits.

For purposes of these separation benefits, Cause, Good Cause and Corporate Transaction shall be defined as follows:

Cause means: (i) you have been convicted of a misdemeanor that involves moral turpitude or the embezzlement of property of Intuit or one of its affiliates; (ii) you have been convicted of a felony under the laws of the United States or any state thereof; (iii) your willful misconduct in the performance of your duties as an Intuit employee; (iv) your gross negligence in the performance of your duties as an Intuit employee; or (v) you have persistently failed to follow the lawful instructions of your manager relating to an activity within the scope of your duties. In order for a condition identified in (iv) or (v) to constitute Cause, Intuit shall first have provided you with (A) at least thirty days' written notice of the alleged actions setting forth with specificity the events or failures complained of and (B) an opportunity to remedy to the reasonable satisfaction of your manager such condition within such thirty day period and you shall have failed to remedy such condition.

Good Cause means: (i) your annual base salary and target bonus are reduced, (ii) you are required to relocate your principal office to a facility more than 50 miles from Intuit's current headquarters immediately prior to the Corporate Transaction; or (iii) the obligations of Intuit under this offer letter are not assumed by the successor corporation.

Corporate Transaction means (a) a merger or consolidation in which Intuit is not the surviving corporation (other than a merger or consolidation with a wholly-owned subsidiary, a reincorporation of Intuit in a different jurisdiction, or other transaction in which there is no substantial change in the stockholders of Intuit and the New Hire Option is assumed or replaced by the successor corporation, which assumption shall be binding on you, (b) a dissolution or liquidation of Intuit; (c) the sale of substantially all of the assets of Intuit, (d) a merger in which Intuit is the surviving corporation but after which the stockholders of Intuit immediately prior to such merger (other than any

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stockholder that merges, or which owns or controls another corporation that merges, with Intuit in such merger) cease to own their shares or other equity interest in Intuit, or (e) any other transaction which qualifies as a "corporate transaction" under Section 424(a) of the Internal Revenue Code wherein the stockholders of Intuit give up all of their equity interest in Intuit (except for the acquisition, sale or transfer of all or substantially all of the outstanding shares of Intuit).

#### BACKGROUND CHECK

This offer (and your employment) is also contingent on the Company's verification of background information, even if you should commence employment prior to the completion of the Company's background check.

#### CONFIDENTIALITY

This letter confirms our understanding that you are not subject to any employment agreement that would preclude us from offering this position to you or you joining our organization. This also confirms that you will not be asked to disclose to us or utilize any confidential or proprietary information from your prior places of employment, and that you understand that you must not do so. In addition, you will agree to execute and abide by a non-disclosure agreement as a condition of employment.

#### WORK AUTHORIZATION

Federal law requires Intuit to document an employee's authorization to work in the United States. To comply, Intuit must have a completed Form I-9 for you within three business days of your Start Date. You agree to provide Intuit with documentation required by the Form I-9 to confirm your U.S. citizenship, permanent U.S. residency or authorization to work in the United States (e.g., U.S. passport, current drivers license and original birth certificate or social security card) within three business days of your Start Date. You understand and agree that if you do not comply with this requirement by close of business on the third business day following your Start Date, you will be placed on unpaid leave for up to five days to comply. You further understand and agree that failure to provide the necessary documentation by the end of the leave of absence period will result in termination of employment.

This letter also confirms the understanding that employment at Intuit is at the mutual consent of you and Intuit, and is at will in nature and can be terminated at anytime by yourself or Intuit.

This letter constitutes the entire agreement between you and Intuit and supersedes any and all prior agreements between the parties regarding employment.

Please review these terms and make sure they are consistent with your understanding. If so, please sign and date both copies of this letter and confirm your planned start date. The original of this letter is for your records.

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If you have any questions, please feel free to contact me at (650) 944-3388.

Tom, we look forward to you joining the Intuit team.

Sincerely,

/s/ Steve Bennett

Steve Bennett  
President and  
Chief Executive Officer  
Intuit Inc.

AGREED AND ACCEPTED:

/s/ Tom Weigman

\_\_\_\_\_  
Tom Weigman

Start Date: September 8, 2003

August 8, 2003

\_\_\_\_\_  
Date

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO  
EXCHANGE ACT RULE 13a-14(a)/15d-14(a)  
AS ADOPTED PURSUANT TO SECTION 302  
OF THE SARBANES-OXLEY ACT OF 2002**

I, Stephen M. Bennett, President and Chief Executive Officer of Intuit Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Intuit Inc.;
2. Based on my knowledge, this 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 5, 2003

/s/ Stephen M. Bennett

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Stephen M. Bennett  
President and Chief Executive Officer  
(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO  
EXCHANGE ACT RULE 13a-14(a)/15d-14(a)  
AS ADOPTED PURSUANT TO SECTION 302  
OF THE SARBANES-OXLEY ACT OF 2002**

I, Robert B. Henske, Senior Vice President and Chief Financial Officer of Intuit Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Intuit Inc.;
2. Based on my knowledge, this 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;
  - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 5, 2003

/s/ Robert B. Henske

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

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Intuit Inc. (the "Company") on Form 10-Q for the quarter ended October 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Stephen M. Bennett, President and Chief Executive Officer of the Company, certifies pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Stephen M. Bennett

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Stephen M. Bennett  
President and Chief Executive Officer

Dated: December 5, 2003

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Intuit Inc. (the "Company") on Form 10-Q for the quarter ended October 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Robert B. Henske, Senior Vice President and Chief Financial Officer of the Company, certifies pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Robert B. Henske

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Robert B. Henske  
Senior Vice President and Chief Financial Officer

Dated: December 5, 2003