SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

[X] Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 (Fee Required)

For the fiscal year ended JULY 31, 1996 or

[ ] Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 (No Fee Required)

Commission File Number 0-21180

INTUIT INC.

(Exact name of registrant as specified in its charter)

DELAWARE	77-0034661
(State of Incorporation)	(IRS Employer Identification No.)

2535 GARCIA AVENUE, MOUNTAIN VIEW, CA 94043
(Address of Principal Executive Offices, including zip code)

(415) 944-6000
(Registrant's Telephone Number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None
Securities registered pursuant to Section 12(g) of the Act: Common Stock, $0.01 par value

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 [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

As of September 30, 1996, there were 46,245,474 shares of the Registrant's common stock, $0.01 par value, outstanding, which is the only outstanding class of common or voting stock of the registrant. As of that date, the aggregate market value of the shares of common stock held by non-affiliates of the registrant (based on the closing price for the common stock as quoted by the Nasdaq National Market on such date), was approximately $1,120,469,364.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the Registrant's definitive Proxy Statement for its Annual Meeting of Stockholders to be held in November 1996 are incorporated by reference into Part III of this Form 10-K.

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BUSINESS

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS: This Form 10-K of Intuit Inc. ("Intuit" or the "Company") contains forward-looking statements that are subject to risks and uncertainties. Statements indicating that the Company "expects," "estimates" or "believes" are forward-looking, as are all other statements concerning future financial results, product offerings or other events that have not yet occurred. There are several important factors that could cause actual results or events to differ materially from those anticipated by the forward-looking statements contained in this Form 10-K. Such factors include, but are not limited to: the growth rates of the Company's market segments; the positioning of the Company's products in those segments; the Company's ability to effectively manage its various businesses, and the growth of its businesses, in a rapidly changing environment; the timing of new product introductions; retail sell-through of the Company's products; the emergence of the Internet, resulting in new competition and unclear consumer demands; the Company's ability to adapt and expand its product offerings for the Internet environment; variations in the cost of, and demand for, customer service and technical support; price pressures and the competitive environment in the consumer and small business software and supplies industry; the possibility of calculation errors or other "bugs" in the Company's software products; the emergence of the electronic financial services marketplace; the cost of implementing the Company's electronic financial services strategy; consumer acceptance of online financial service offerings; the Company's ability to establish successful strategic relationships with financial institutions and processors of financial information; changing alliances among financial institutions and other strategic partners; the emergence of competition from these entities as well as from other software companies; changes in laws that may govern any of the Company's products or services; the timing and consumer acceptance of new product releases and services (including current users' willingness to upgrade from older versions of the Company's products); the consummation of possible acquisitions; the Company's ability to integrate acquired operations into its existing business; the Company's ability to successfully transition its online banking and bill payment operations to CheckFree Corporation; possible fluctuations in value of the Company's investment in CheckFree Corporation; and the Company's ability to penetrate international markets and manage its international operations. Additional information on these and other risk factors is included elsewhere in this Form 10-K.

OVERVIEW

COMPANY BACKGROUND

Intuit's mission is to improve the way individuals and small businesses manage their financial affairs. To that end, Intuit develops, markets and supports personal finance, small business accounting, tax preparation and other consumer software products, and related supplies and electronic financial services that enable individuals, professionals and small businesses to automate commonly

performed financial tasks and better organize, understand, manage and plan their financial lives. Intuit employs a variety of consumer marketing research techniques to define and design its products and services so that they will be easy to use and responsive to customers' needs. The Company's product development strategy focuses on products that give new and existing customers added value and provide Intuit with opportunities for follow-on sales and recurring revenue. For example, the Company has developed several complementary products that share financial information, so that customers can use several Intuit products in conjunction with one another. This provides the Company with the opportunity to cross-sell additional products to its existing customer base. The Company recently announced several Internet-related strategic initiatives that are intended to facilitate communications between the Company's customers and their financial service providers, and to support the Company's goal of offering an expanding range of financial services to its customers. See "Overview - Internet Strategic Initiatives."

Intuit's primary product and service offerings are in the following areas: personal finance products, including Quicken(R) and Quicken Financial Planner; small business accounting products, including QuickBooks(R) and QuickPay(TM); personal and professional tax preparation products, including TurboTax(R) and TurboTax ProSeries(R); other consumer software products offered by the Company's Parsons Technology, Inc. subsidiary ("Parsons"), including Quicken Family Lawyer(TM), Personal Tax Edge(TM) and Announcements(R); electronic financial services,

including online banking and bill payment services, Investor Insight(TM), the NETworth: The Internet Investor Network web site ("NETworth"(TM)) offered by the Company's GALT Technologies, Inc. subsidiary ("GALT"), and the InsureMarket(SM) web site offered by the Company's Interactive Insurance Services Corp. subsidiary ("IIS"); and supplies, such as checks, invoice forms, envelopes and deposit slips, for use in conjunction with the Company's software products. Quicken Financial Network ("QFN"(TM)), which is Intuit's World Wide Web site, serves as a vehicle for offering some of the Company's electronic financial services as well as a source of other financial information and services. The Company's principal products and services are described below under "Products and Services."

Intuit commenced operations in March 1983 and was incorporated in California in March 1984. In March 1993, the Company was reincorporated in Delaware. The Company's principal executive offices are located at 2535 Garcia Avenue, Mountain View, California, 94043, and its telephone number is (415) 944-6000. Unless otherwise indicated herein, the "Company" and "Intuit" refer to Intuit Inc., a Delaware corporation, its California predecessor, and its subsidiaries.

INTERNET STRATEGIC INITIATIVES

On September 16, 1996, the Company announced three Internet-related strategic initiatives designed to accelerate the adoption of electronic financial data exchange and communication among individuals and small businesses and their financial service providers. First, the Company announced plans to "open" the architecture of its software products to financial service providers so that such providers can connect directly through the Internet to their customers who use Intuit products. By contrast, communications and exchange of data between Intuit customers and their financial institutions are currently routed through the Company's private network. This opening of the connectivity capability of the Company's products will be introduced in stages, with Internet connections for investment activities and online banking and bill payment activities expected during calendar 1997.

Second, the Company announced that it would coordinate efforts with several third parties to develop a comprehensive framework for exchanging financial data over the Internet in an integrated collection of specifications and protocols called OpenExchange(TM). OpenExchange is intended to make it easier and less expensive for a wide range of financial service providers to build links for electronic financial data exchange and communications using the Internet. OpenExchange is expected to allow any front-end software or interface that uses OpenExchange to connect with any back-end processing system that uses OpenExchange, giving financial service providers significant flexibility in providing services to their customers. OpenExchange is also intended to support a wide range of financial activities involving many types of financial service providers, including banks, brokerage firms, mutual fund companies and insurance companies, and to support multiple PC platforms and other electronic devices. The Company expects that OpenExchange will also incorporate protocols designed to provide end-to-end security for financial data, including industry protocols such as Secure Sockets Layer (SSL) v.3.0. The Company expects that OpenExchange will be licensed for free and without restriction to financial service providers, although technology providers such as Intuit may seek to charge customers and/or financial service providers for the use of specific implementations within their own products.

Third, the Company announced the signing of an agreement pursuant to which it plans to sell its banking and bill payment processing subsidiary, Intuit Services Corporation ("ISC"), to CheckFree Corporation ("CheckFree"), in

exchange for 12.6 million shares of the common stock of CheckFree (representing approximately 23% of the resulting CheckFree shares outstanding). CheckFree is a leading home banking and electronic bill payment processor. The Company expects that the transaction will allow the Company to reallocate management and financial resources to its core businesses and to other emerging business opportunities (particularly those involving the Internet and electronic financial services), while still participating indirectly in the banking and bill payment processing business through its investment in CheckFree. The closing of this transaction, which is expected to occur by early calendar 1997, is subject to numerous conditions, including regulatory approval and the approval of CheckFree's stockholders. See also "Overview - Pending Sale of ISC" and Note 12 of Notes to Consolidated Financial Statements.

EXPANSION OF ELECTRONIC FINANCIAL SERVICES

The Company believes that it may be able to improve its competitive position by extending its business into the emerging electronic financial services market. The Company defines electronic financial services as electronically-enabled financial transactions and electronically-enabled marketing and sales of financial products. Intuit has recently invested significant resources to develop and acquire products and services for this market, including its acquisitions of IIS, a developer of an Internet-based system that allows consumers to obtain insurance information from national insurance carriers, and GALT, a provider of mutual fund information through its NETworth web site. The Company's recently announced Internet strategic initiatives (described above) are designed to facilitate expansion of the Company's electronic financial services business. Intuit currently works with financial institutions to offer a number of online services, including online banking, electronic bill payment and online tools, such as Investor Insight and NETworth for evaluating investments, that extend the capabilities of Intuit's software products and increase the automation of financial tasks. The Company is evaluating additional opportunities related to electronic financial services, including products that will enable users of Quicken to download brokerage account statements and execute securities trades through participating financial institutions. The Company expects to invest significant resources in developing and enhancing its electronic financial service offerings during fiscal 1997.

EXPANSION INTO INTERNATIONAL MARKETS

During fiscal 1996, Intuit took several steps to increase its presence in international markets. The Company introduced several additional international products in the UK, Canada, Germany, France, Spain and Mexico. In addition, in April 1996, Milkyway KK ("Milkyway"), Intuit's subsidiary in Japan acquired in January 1996, released Kobanto(TM), its first small business accounting software product for Windows. Although the Company did experience significant growth in its international operations during fiscal 1996, its German subsidiary experienced delays in executing two critical product launches in the second quarter of fiscal 1996. See "Business - International" and "Management's Discussion and Analysis of Financial Condition and Results of Operations - Results of Operations - Twelve Months Ended July 31, 1996 and 1995." There can be no assurance that sales of international products will continue to grow at the rate experienced during fiscal 1996, or that other product launch difficulties will not be encountered in the future.

RECENT CORPORATE TRANSACTIONS

The Company has historically pursued a strategy of acquiring other businesses in order to obtain complementary products and technologies and to obtain a presence in new markets. During the past three years, the Company completed several such acquisitions. In December 1993, the Company acquired ChipSoft, Inc. ("ChipSoft"), a publicly-held developer and marketer of tax preparation software products. In April 1994, the Company purchased certain assets of the professional tax preparation software business of Best Programs, Inc. ("Best"). In July 1994, the Company acquired National Payment Clearinghouse, Inc., a privately-held provider of automated bill payment services, which is now the Company's ISC subsidiary. (See "Overview - Pending Sale of ISC.") In September 1994, the Company acquired Parsons, a privately-held consumer software publisher that emphasizes direct sales and marketing. In March 1995, the Company formed Quicken Investment Services, Inc. ("QISI"), a wholly-owned subsidiary and registered investment adviser that offers the Company's financial planning products. In June 1995, the Company acquired Personal News, Inc. ("PNI"), a privately-held provider of online investment research data. In June 1995, the Company purchased certain assets of Mysterious Pursuit Pty. Ltd. ("Mysterious Pursuit"), a privately-held Australian company that develops tax software. In January 1996, the Company acquired Milkyway, a provider of PC-based financial software in Japan. In June 1996, the Company acquired IIS, developer of an Internet-based system that allows consumers to obtain insurance information from national insurance carriers. In September 1996, the Company completed its acquisition of GALT, a provider of mutual fund information through its NETworth web site. See Notes 2 and 12 of Notes to Consolidated Financial Statements for additional discussion of the transactions described above. Although the Company believes these transactions were in the best interests of the Company and its stockholders, there are significant risks associated with such transactions. See

"Management of Growth" and "Products and Services - Electronic Financial Services."

PENDING SALE OF ISC

On September 15, 1996 the Company and ISC signed an Agreement and Plan of Merger (the "Plan") with CheckFree and a wholly-owned CheckFree subsidiary pursuant to which the Company agreed to sell ISC to CheckFree in a tax-free merger transaction in exchange for 12.6 million shares of CheckFree common stock (the "CheckFree Shares"). Based on the closing price of CheckFree's common stock on September 13, 1996 (the last business day before the transaction was announced), the CheckFree Shares have a value of approximately $227.6 million and will represent approximately 23% of CheckFree's outstanding common stock after issuance, based on CheckFree's current outstanding shares. (The Company expects to reduce its holdings to under 20% in order to account for its investment under the cost method of accounting. See "Management's Discussion and Analysis of Financial Condition and Results of Operations.") The Plan provides that, under certain conditions, the Company will indemnify CheckFree for certain losses arising from breaches of the Company's representations, warranties and covenants in the Plan in an amount of up to 35% of the value of the CheckFree Shares, and that 10% of the CheckFree Shares will be withheld in escrow for one year following closing of the transaction to secure CheckFree's indemnity rights. In addition, the Company has agreed to pay CheckFree the amount (if any) by which ISC's revenues for the 12-month period ending July 31, 1997 are less than $46 million.

It is expected that the CheckFree Shares to be issued to the Company in exchange for ISC will be registered with the Securities and Exchange Commission on a Form S-4 registration statement and, in addition, CheckFree will grant the Company certain demand and piggyback registration rights with respect to the CheckFree Shares. The Company and CheckFree have also entered into a Stock Restriction Agreement that restricts the Company's ability to increase its ownership of CheckFree stock and to effect certain sales of CheckFree stock, and restricts the manner in which the Company may deal with CheckFree and its stockholders in connection with certain corporate proceedings and transactions.

Pursuant to the Plan, the Company, ISC and CheckFree expect to entered into ancillary agreements addressing certain support, licensing and transition issues, providing for certain payments by CheckFree to the Company in exchange for certain license rights, and ensuring the Company's access to certain technologies. Pursuant to the Plan, the Company will not compete with certain electronic payment processing businesses for up to five years.

The consummation of these proposed transactions is subject to the satisfaction of several conditions, including without limitation the approval of CheckFree's stockholders and the absence of objection to the transaction by federal antitrust authorities under the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

FISCAL YEAR CHANGE

As a result of the Company's change in its fiscal year effective August 1, 1994, comparative financial information contained in this Form 10-K for the twelve months ended July 31, 1994 is unaudited. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Fiscal Year Change."

PRODUCTS AND SERVICES

Intuit's primary product and service offerings are in the following areas: personal finance products; small business accounting products; tax preparation products; other consumer software products; electronic financial services; and supplies such as checks and invoice forms. The Company's principal offerings in each area are described below. For a discussion of revenues contributed by software products and services and supplies, see "Management's Discussion and Analysis of Financial Condition and Results of Operations."

PERSONAL FINANCE PRODUCTS

Intuit develops, markets and supports personal finance software products for several personal computer operating environments, including Windows 3.1, Windows 95 and Macintosh OS. Quicken was introduced in October 1984 and has since been enhanced and upgraded a number of times. Quicken allows users to organize, understand and manage their personal finances. Designed to look and work like a checkbook, Quicken provides users with an easy-

to-use method for recording and categorizing their financial transactions. Once entered, the financial information can be analyzed and displayed using a broad set of reports and graphs. Quicken also allows users to reconcile their bank accounts and track credit card purchases, investments, cash and other assets and liabilities. Online banking features in Quicken ease data entry by allowing users to download bank transaction information directly from participating financial institutions. Quicken also enables users to schedule bill payments,

using either the online payment services of participating financial institutions or directly through ISC. The online service processes payment requests by printing and mailing computer checks or by initiating electronic payments. The Investor Insight feature in Quicken (which is also available as a stand-alone product) gives users online access to a variety of investment research tools. See "Electronic Financial Services" for more details on these banking and investment services. During fiscal 1996, the Company took steps to implement its Internet strategy by incorporating into Quicken a version of Netscape Navigator, free access to QFN (Intuit's World Wide Web site) and low-cost full Internet access through service provider Concentric Network Corp. During the first quarter of fiscal 1997, the Company plans to release new versions of Quicken, including Quicken Deluxe 6 for Windows on CD-ROM and an enhanced version of Quicken for the Macintosh, which will include a variety of new online features.

The Company also offers certain personal finance products through its QISI subsidiary, which is a registered investment adviser under the Investment Advisers Act of 1940. See "Regulated Businesses." Quicken Financial Planner assists the user in creating a personal financial and retirement plan, based on the user's current financial profile and financial and retirement goals. It provides sample asset allocation guidelines to help the user determine how to invest based on the desired rate of return. Mutual Fund Finder, which is a feature of Quicken Financial Planner, provides the user with historical mutual fund data from a Morningstar, Inc. database. This information can be updated on a quarterly basis. Mutual Fund Finder also identifies specific funds for the user based on designated criteria relating to risk and return, expenses and other factors. In September 1996, the Company announced Fidelity QFP, which is a specific version of Quicken Financial Planner designed for customers who have 401(k) retirement plans with Fidelity Investments ("Fidelity"). The product will allow information from a user's retirement account with Fidelity to be transferred to the software. This will simplify incorporation of the user's individual financial information into the financial plan created by the software.

SMALL BUSINESS ACCOUNTING PRODUCTS

Recognizing the widespread customer use of Quicken products for small business applications, Intuit developed a similar family of products for small business owners that provide the more extensive functions they require while maintaining ease of use.

QuickBooks, which was first introduced in April 1992, was developed to address the needs of the small business user but shares many of Quicken's most popular features, including an easy-to-use design that does not require the user to be familiar with traditional double-entry accounting concepts. For example, QuickBooks supports both cash-based and accrual-based accounts payable with separate entry of bills and automatic generation of accounts payable checks based on outstanding vendor balances. In addition, QuickBooks offers automation of payroll tasks, flexible invoicing, including printing on pre-printed forms, letterhead or plain paper, full tracking and aging of invoices, inventory tracking and audit trail creation. During 1996, Intuit introduced a version of QuickBooks for the German accounting market, and Milkyway introduced Kobanto, the Company's first Windows-based small business accounting software product for the Japanese market.

QuickBooks Pro(TM) is an enhanced version of QuickBooks developed to address the needs of small businesses in the U.S. that are project, job or time based, such as contractors, consultants, lawyers, accountants and subcontractors. Many of these businesses currently use manual methods or general purpose software systems (including spreadsheets and word processors) to do time tracking and job estimating, but these systems generally are not integrated with the businesses' accounting programs. QuickBooks Pro allows users to integrate time tracking, job estimating and project costing with accounting and payroll.

Payroll functionality is integrated into the Windows and Macintosh versions of QuickBooks and QuickBooks Pro. QuickPay is an add-on product for Quicken and the DOS version of QuickBooks that calculates and tracks gross salary and payroll deductions and is targeted to small businesses that do not use an outside payroll service. A related

service offering is Intuit's Payroll Tax Table Update Service, a disk-based data service that provides customers with new tax table files when relevant federal, state or local payroll tax rates change.

TAX PREPARATION PRODUCTS

Intuit develops, markets and supports tax preparation software products (including TurboTax, MacInTax(R), Personal Tax Edge and TurboTax ProSeries) for individual consumers and small business owners for use in preparing their own tax returns and for professional tax preparers for use in preparing their clients' tax returns. Intuit's tax preparation software allows both individual taxpayers and professional tax preparers to automate the process of preparing tax returns. This software simplifies the process of preparing tax returns by reducing calculation time and errors, automatically transferring data between forms, checking for missing and incomplete information, and aiding in the

organization of tax records.

Tax preparation software must be rewritten each year to reflect annual changes in tax laws and forms, and customers must purchase new versions each year in order to file accurate tax returns using such software. As a result, tax preparation software generates recurring revenues that historically have been more regular and predictable than upgrade revenues typical of other types of personal computer software. A change in this pattern could have a material adverse effect on Intuit's operating results and financial condition. In addition, the government's late release of federal and state tax forms and laws requires rapid development and release of these products, thus creating some risk of product errors and the costs associated therewith. During fiscal 1995 the Company identified calculation errors in certain tax products that necessitated a charge of $1.3 million to cover the cost of revisions and other remedial actions. A similar occurrence during fiscal 1996 resulted in a charge of approximately $1.2 million. See "Product Development and Marketing" and "Management's Discussion and Analysis of Financial Condition and Results of Operations - Results of Operations - Twelve Months Ended July 31, 1996 and 1995."

Consumer Tax Preparation Products. Intuit's TurboTax and MacInTax tax preparation software products for consumers are designed to be easy to use for computer users of all skill levels, yet sufficiently sophisticated to prepare complex returns. The programs also help users to identify tax deductions that might otherwise be missed, as well as entries that might trigger an IRS 1040 audit. For its consumer products, Intuit currently provides 45 state tax preparation products (one for the District of Columbia and each state that imposes an individual income tax) for both Macintosh and Windows-based computers. Intuit has recently expanded its consumer tax preparation products to include products for certain international markets. See "International."

Intuit generally releases a "HeadStart" preliminary edition of its federal TurboTax product and a generic "HeadStart" state tax return program in October or November of each year. These preliminary editions enable customers to organize their tax records and to make tax-planning decisions. Intuit generally releases final editions in January or February after all of the relevant forms have been made available by the IRS and various state tax agencies. Final editions, which are available at no charge to purchasers of the HeadStart edition, automatically transfer data previously entered into preliminary editions.

Personal Tax Edge and Personal Tax Edge Preparer's Edition are consumer and professional tax preparation products, respectively, that are designed for less complex federal income tax returns. State Tax Edge(TM) is available for 45 states. A planning version of Personal Tax Edge is made available in advance of release of the final version. The Company acquired Personal Tax Edge products through its acquisition of Parsons in September 1994, and the products continue to be marketed by Parsons primarily through direct sales efforts.

Small Business Tax Preparation Products. TurboTax for Business and MacInTax for Business are tax return preparation products that enable small business owners to prepare their own business tax returns. Intuit develops, markets and supports separate programs for preparing federal and certain state S corporation, C corporation and partnership returns, as well as programs that enable individuals with sole proprietorships to complete their federal and state tax returns.

Professional Tax Preparation Products. Intuit's professional tax preparation products are designed for use by tax preparers and accountants who prepare tax returns for individuals and small businesses. Intuit believes that small to

mid-size independent tax preparers currently comprise the largest segment of its professional tax customer base. Intuit's TurboTax ProSeries includes a broad suite of products that prepare individual income, corporate, partnership, fiduciary and not-for-profit federal tax returns, as well as many state equivalents. A number of add-on modules are provided, including client organizer, practice management, networking, asset management and electronic filing capabilities. Certain of the Company's professional tax products are also sold bundled under the Power Tax name. For the 1997 tax season, the Company plans to introduce QuickEntry(TM), a feature designed to improve the productivity of tax professionals by reducing the time required to enter client data.

Electronic Filing. In fiscal 1996, the Company was awarded several government contracts totaling approximately $4 million to develop and support software for the Internal Revenue Service. This software was part of a $17 million IRS project called CyberFile that was designed to allow individual taxpayers to electronically file their federal income tax returns from their home computers. While the Company delivered its contractual components of the project and received payment under the contracts, CyberFile has not been activated due to concerns raised by other government agencies relating to the security of electronically transmitted tax information.

OTHER CONSUMER SOFTWARE PRODUCTS

Intuit and the Company's Parsons subsidiary offer a product called Quicken Financial Suite, which combines the Quicken Deluxe, Quicken Financial Planner and Quicken Family Lawyer software products into a single product. In addition, through Parsons, Intuit utilizes direct marketing techniques to sell software products that assist consumers in managing various aspects of their personal affairs. These products, which are distributed primarily through Parsons' substantial direct distribution channel, include Quicken Family Lawyer, which enables consumers to prepare legal forms and documents such as wills, powers of attorney and promissory notes; Personal Tax Edge (see "Consumer Tax Products" above); Announcements, which enables consumers to create personalized greeting cards, banners, posters and other documents; and QuickVerse(R), a computerized digest that enables users to quickly locate Biblical references. The Company develops, licenses or acquires software products such as these in order to leverage its direct-mail customer base.

ELECTRONIC FINANCIAL SERVICES

As a complement to its personal financial software products, Intuit offers value-added services that further automate financial transactions for its users. In addition to the services described below, the Company is developing additional electronic financial service offerings that it expects to make available during fiscal 1997. Revenues from these services have not been significant during the past three years. The Company's recently announced Internet strategic initiatives are expected to facilitate the longer-term expansion of this business by streamlining electronic financial data exchange and communications among individuals, small businesses and their financial service providers. See "Overview - Internet Strategic Initiatives" above. Although the Company expects that electronic financial services such as InsureMarket and NETworth will become an increasingly significant portion of the Company's business during the next several years (see "Other Electronic Financial Services"), there can be no assurance that this will be the case. Furthermore, the Company's recently announced agreement to sell its ISC subsidiary to CheckFree will leave the Company with only an indirect participation in the banking and bill payment processing business (through its investment in CheckFree). See "Overview - Pending Sale of ISC."

Online Banking and Bill Payment Services. The Company offers a variety of online banking and bill payment services in conjunction with participating financial institutions. Fees charged to customers for these services are set by each financial institution, with the Company receiving monthly per-subscriber fees from the financial institutions.

Online banking is a service available through Quicken that was introduced in the first quarter of fiscal 1996. The online banking services allow users with accounts at participating financial institutions to download, and automatically categorize into Quicken accounts, data from bank accounts, brokerage cash accounts or charge accounts, thereby eliminating the need for customers to manually enter this data into Quicken files. Online banking also enables users to check on current account balances, transfer funds between accounts, determine whether a given transaction has cleared and reconcile accounts. Intuit's ISC subsidiary is currently responsible for online

connections between the financial institutions and end users. See "Overview - Pending Sale of ISC" and the discussion below regarding the recently announced agreement to sell ISC to CheckFree.

In connection with its online banking services, Intuit currently has relationships with approximately 40 financial institutions, including six of the ten largest domestic banks and American Express, which is the largest U.S. proprietary charge card issuer. In addition, in May 1996, the Company announced plans to work with two of the financial service industry's leading processing companies (Electronic Payment Services, Inc. and M&I Data Services) to enable the financial institutions that are customers of these processing companies to offer online banking, online bill payment and other online financial services through their existing processor or service provider connections.

Online bill payment, a feature also available through Quicken, enables users to pay bills by transmitting payment instructions via modem to ISC. Intuit began to provide electronic bill payment service for Quicken through its ISC subsidiary during the first quarter of fiscal 1996. Payments are processed electronically through the automated clearing house system for merchants that have made arrangements through their financial institutions for electronic payment (approximately 3% of merchants currently). All other payments are made via paper checks through the U.S. mail. This service is offered primarily through financial institutions with which the Company has relationships, but for its customers who do not bank at participating institutions, Intuit makes online bill payment (referred to as "retail bill payment") available for a monthly fee. Retail bill payment accounts represent approximately 10% of current bill payment customers.

Intuit introduced its new BankNOW software product in September 1996. This product allows PC users who are subscribers to America Online to perform basic online banking functions such as checking account balances, transferring funds

between accounts, and scheduling bill payments. BankNOW is designed for consumers who want fast, simple online banking but who do not require the more complete financial organization and tracking functions offered in personal financial management software such as Quicken.

If the sale of ISC to CheckFree is consummated, the Company will no longer receive revenue directly from currently participating financial institutions in connection with online banking and bill payment services, as these revenues will be paid to CheckFree. However, Intuit expects that it will market and resell bill payment services (performed by CheckFree) to end users. In addition, if the sale of ISC is completed, Intuit expects to receive significant royalty payments from CheckFree in exchange for, among other things, Intuit enabling a direct electronic link between Quicken customers and CheckFree's back-end processing services. See "Overview - Pending Sale of ISC." As part of the proposed sale of ISC to CheckFree, Intuit and CheckFree have agreed that, following the expiration of Intuit's current contracts with financial institutions (which will be assumed by CheckFree), Intuit will allow CheckFree to access Quicken customers only on behalf of financial institutions that have been authorized by Intuit to connect to Quicken customers. Intuit expects that it will negotiate with financial institutions to receive a connectivity fee for allowing the financial institutions to connect to users of Intuit products using the OpenExchange Protocol. See "Overview - Internet Strategic Initiatives." However, there can be no assurance that these arrangements will generate significant revenue for Intuit. If the proposed agreement to sell ISC to CheckFree is not consummated as currently anticipated, Intuit expects that, in the near term, it would continue to operate its banking and bill payment services as currently operated.

Other Electronic Financial Services. Investor Insight is an online service accessible both through a stand-alone software product and certain versions of Quicken. Investor Insight gives users access to investment research tools, including stock price quotes, recent financial market news, analysts' ratings and research reports, analyses of price movements over five years and the ability to chart and analyze individual securities or groups of securities. Users are charged a monthly fee for the Investor Insight service. Investor Insight can be accessed through Quicken and QFN. ISC currently operates the servers that provide the Investor Insight service. If CheckFree's proposed purchase of ISC is completed as expected, Intuit will continue to receive all revenues generated by Investor Insight and CheckFree will continue to operate the servers, with Intuit reimbursing CheckFree for its direct costs in connection with such operation.

Quicken Financial Network, or QFN, is an Intuit web site that serves as a vehicle for offering some of Intuit's financial services (such as Investor Insight, Quicken InsureMarket and NETworth), as well as a source for other information and services relating to financial topics. The goal of QFN is to provide a location on the World Wide Web where consumers can access a variety of news, information, products and services to help them better manage their financial lives. Users can access QFN through versions of Quicken that include Netscape Navigator. In addition, users can access QFN by using any standard Internet connection and browser. There is no fee for accessing QFN except for telecommunications charges through phone companies and Internet service providers. The Company receives advertising revenue from companies that offer their services through QFN, but such revenues have not been material to date.

Quicken InsureMarket, offered by the Company's IIS subsidiary, provides an interactive Internet link between consumers and national insurance carriers and their agents, to enable consumers to obtain information about insurance. InsureMarket became available in a "preview" version in June 1996 and, as of October 1996, consumers in selected states can obtain quotes and other information concerning term life insurance from participating insurance carriers, contact agents for certain participating carriers, and purchase certain policies online. In the future, the Company expects that consumers will also be able to obtain similar services for auto, home owners' and small business insurance. IIS expects to derive revenue from these services through initial and ongoing annual participation fees from insurance companies that offer policies, as well as commissions on policies sold. IIS must provide these services in accordance with applicable state insurance regulations. See "Regulated Businesses."

NETworth is a mutual fund service available through Intuit's subsidiary, GALT. It provides investment resources for individual investors, including online presentations from approximately 60 mutual fund families, integrated with free mutual fund performance information from Morningstar, Inc.'s database of more than 7,500 mutual funds, net asset value and stock price graphs, quotes and the ability to keep track of a personal portfolio. NETworth can be accessed through QFN, or directly from the Internet. Intuit receives initial and ongoing annual participation fees from mutual fund companies that participate in the NETworth site, as well as flat monthly fees from such funds for some services.

Intuit's IntelliCharge(R) credit card service combines credit card use with software and communications technology to provide users of the Quicken Affinity Card (a credit card offered through Travelers' Bank) with an electronically transmitted statement from which data can be transferred to and categorized by

Quicken. Customers who receive data via modem are not charged for this service. Intuit receives a fee from Travelers for each customer that signs up for a Quicken Affinity Card, as well as a portion of any interest charges paid by the customer. ISC currently performs certain processing functions in connection with the Intellicharge service. If CheckFree's proposed purchase of ISC is completed as expected, Intuit will continue to market the Intellicharge service and receive all revenues generated by it, and will pay CheckFree to continue providing processing services.

The market for electronic financial services is relatively new. Although demand for the Company's personal finance, small business accounting, tax preparation and other consumer software products and related supplies and electronic services has grown in recent years, the Company believes it must extend its business into electronic financial services in order to remain competitive. If this market fails to grow or grows more slowly than anticipated, or if the Company, despite an investment of significant resources, is unable to establish services that achieve a significant degree of acceptance in this new market, the Company's business, operating results and financial condition could be materially adversely affected. Further, entry into the electronic financial market carries with it additional liability risks. For example, errors in transactions or misdirection of funds can result in significant liability and, in certain cases, penalties may be mandated by federal law. In addition, certain software that is essential to communications among customers, financial institutions and the hub for online banking and bill payment services is provided and maintained by a single third party under a license agreement with Intuit. It is anticipated that, in connection with the proposed sale of ISC, the hub and the license for such software will be transferred to CheckFree. Although Intuit believes that it currently has a satisfactory contractual and business relationship with this third party, termination of this relationship could interrupt Intuit's ability to make available certain services. There can be no assurance that the Company's efforts to expand its electronic financial services will be effective, will reduce costs or will be accepted by consumers and merchants.

SUPPLIES

Intuit develops and markets a range of supplies designed to be used in conjunction with its personal and business finance software products to further automate transaction execution and record keeping. Intuit's line of supplies, which includes paper checks, invoice forms, envelopes, deposit slips and address stamps, enables users to save time and utilize professional-quality forms. Supplies generate recurring revenue and add value and functionality to Intuit's software products. Because virtually all of the supplies products involve printing to the customers' specifications, these products are sold directly to users. Customers receive supplies catalogs and order forms with most Intuit software products to encourage supplies sales. Users may also order electronically at any time using the Intuit Marketplace feature in Intuit's software products. Revenue from supplies products increased 21% from the twelve months ended July 31, 1994 to fiscal 1995, and 28% from fiscal 1995 to fiscal 1996, due to the growth of the Company's small business financial products, as well as enhanced direct marketing efforts that have enabled customers to purchase products directly by telephone. However, supplies revenue has declined as a percentage of total net revenue over the past three years. The Company faces increased competition and price pressure in its supplies business. The supplies business can also be negatively affected by changes in paper check printing and formatting requirements. In addition, demand for supplies may be negatively impacted as some of the Company's customers shift to electronic bill payment services.

In September 1995, the Company entered into an exclusive five-year contract with John H. Harland Co. ("Harland") to produce all of its computer checks, invoice forms and deposit slips. Harland is thus the sole source for Intuit's supplies products. Accordingly, Intuit's ability to provide its supplies products is dependent on continued good relations with this vendor, and the failure of Harland to continue to provide supplies on a timely basis would have a material adverse effect on Intuit's operating results and financial condition.

PRODUCT DEVELOPMENT AND MARKETING

Intuit believes that successful products must be easy to use and responsive to the specific needs and use patterns of its customers, and the Company strives to develop its products in accordance with these consumer marketing principles. Accordingly, Intuit attempts to define desirable new products and enhancements to existing products by conducting market research and working closely with its current and prospective customers to determine their needs and requirements and to obtain their input regarding desired product functions. New products and enhancements are then designed based on this consumer input and, when possible, field-tested by actual users who further critique the product and suggest modifications. Once a product is released, customer reactions and input continue to be monitored to assist in the development of product enhancements and upgrades.

In addition, Intuit strives to define and develop products and upgrades that will stimulate ongoing sales to repeat customers. For example, Intuit has

developed certain complementary products that can share information when used in conjunction with other Intuit products. These integrated products provide added value and functionality to new and existing customers and expand Intuit's sales opportunities. Intuit also attempts to exploit new technologies such as CD-ROM and the Internet to expand the features and functions of its products and generate revenue from sales of upgrades.

The development of tax preparation software is unique in the personal computer software industry because a rigorous annual development cycle is mandated by the adoption of new tax laws and forms by the federal and state governments each year. The uncertain timing of the release of tax forms by the IRS and state government agencies and the complexity of the tax laws create a need for flexible, highly sophisticated development management schedules. Intuit uses the same development architectures for both its consumer and professional tax software products. This gives the Company increased operating leverage compared to tax preparation software companies that produce only consumer tax products or only professional tax products.

Intuit's research and development expenses for the twelve months ended July 31, 1994 were $28.7 million, compared to $57.3 million in fiscal 1995 and $75.6 million in fiscal 1996 (not including charges of $151.9 million, $52.5 million and $8.0 million, respectively, for purchased in-process research and development). Intuit substantially increased actual spending on research and development during fiscal 1995 in order to develop new

products, as well as to adapt existing products for international markets. This pattern continued through fiscal 1996, as the Company devoted significant research and development resources to its electronic financial services, including the integration of Internet access, QFN and online banking and bill payment features into Quicken, as well as to developing products for the Windows 95 platform. The Company intends to continue to increase research and development spending in absolute dollars during fiscal 1997.

Software products such as those offered by the Company often contain errors or "bugs" that can adversely affect the performance of the products, produce incorrect results and/or damage a user's data. If products are released that contain errors, the Company may lose customer acceptance of its products, as well as market share, and may be required to issue maintenance releases or pay refunds or other compensation to users. Any of such steps, if taken, could have a material adverse effect on Intuit's operating results. In the past, the Company has discovered significant software defects in its products that have adversely affected its business and operating results. For example, during 1995 the Company notified its customers that several of its tax products for the 1994 tax year had defects and released revised versions of the software at no charge. These defects resulted in negative publicity, customer dissatisfaction and a $1.3 million expense in the second quarter of fiscal 1995. Less serious defects were discovered during fiscal 1996 and although the defects did not have a serious impact on customer satisfaction, the Company incurred expenses of approximately $1.2 million to correct the problem. In addition, as the Company expands its participation in the electronic financial services markets, software reliability and security demands will increase. The Company is working to improve its quality assurance and test procedures, and with the fall 1996 introduction of its Quicken Live(TM) feature in its Quicken line of products, the Company will be able to provide "patches" for software defects to online customers more quickly via electronic delivery. However, there can be no assurance that errors or omissions will not be found in new products or releases after commencement of commercial shipments, resulting in substantial costs, negative publicity, customer dissatisfaction, loss of market share or failure to achieve any significant degree of market acceptance. Any such occurrence could have a material adverse effect upon the Company's business, operating results and financial condition.

Intuit currently has a number of new product development efforts under way or planned to commence in the future. There can be no assurance that the Company will be successful in developing, introducing and marketing product enhancements, new products and services, or versions of existing products and services for other platforms, or will not experience difficulties that could delay or prevent the successful development, introduction or marketing of these products and services, or that its new or enhanced products and services will adequately meet the requirements of the marketplace and achieve any significant degree of market acceptance. Delays in the commencement of commercial availability of new or enhanced products and services may result in customer dissatisfaction and delay or loss of revenue. If the Company is unable, for technological or other reasons, to develop and introduce new or enhanced products or services in a timely manner in response to changing market conditions or customer requirements, or if such new or existing products and services do not achieve a significant degree of market acceptance, the Company's business, operating results and financial condition would be materially adversely affected.

Since its inception, Intuit has relied on a variety of marketing approaches and has applied consumer mass marketing concepts from other industries to the marketing of software products. Examples include Intuit's use of direct-response

TV and radio advertising and consumer public relations and its early penetration of emerging low-price retail channels such as computer superstores, discount chains, and warehouse and club stores.

The markets in which the Company competes are characterized by ongoing technological developments, frequent new product announcements and introductions, evolving industry standards, changing customer requirements and new competitors. The introduction of products and services embodying new technologies and the emergence of new industry standards and practices, including changes in tax laws, regulations or procedures, can render existing products obsolete and unmarketable. The Company's future success depends upon its ability to enhance its existing products and services, develop new products and services that address the changing requirements of its customers, develop additional products and services for new or other platforms and environments (such as the Internet) and anticipate or respond to technological advances, emerging industry standards and practices and changes in tax laws, regulations and procedures in a timely, cost-effective manner. In response to major industry changes reflected by the increasing popularity of the Internet among consumers and financial service providers, the Company has

expanded its Internet strategy. See "Overview - Internet Strategic Initiatives." There can be no assurance that such initiatives can be successfully implemented or that they will result in increased revenue or profits for the Company. Conversely, there can be no assurance that consumers' use of the Internet, particularly for commercial transactions, will continue to increase as rapidly as it has during the past few years.

SALES AND DISTRIBUTION

Intuit markets its products through distributors and retailers, by direct sales to new and existing customers and to OEMs. A small but increasing proportion of direct sales are made via the Internet. Certain foreign markets are also addressed by developer-distributors that both produce and distribute products locally and pay royalties to Intuit. The Company's electronic financial services are currently sold to end users primarily through banks and other financial institutions, with a smaller proportion sold directly to Intuit customers.

Revenue generated from sales to retailers and distributors accounted for 68% of total revenue during the ten months ended July 31, 1994, compared to 59% during fiscal 1995 and 58% during fiscal 1996. Intuit's products are carried broadly by retail software outlets, computer superstores, office and warehouse clubs and general mass merchandisers. North American sales to the retail channel are made both by Intuit directly to retailers such as Best Buy, Egghead, Price Costco and Sam's, and by distributors, including Ingram, and GT Interactive, to such dealers as CompUSA, Office Depot, Computer City, Staples, Office Max and Walmart. In the ten months ended July 31, 1994, fiscal 1995 and fiscal 1996, sales to Ingram accounted for 14%, 12% and 13% of the Company's net revenue, respectively, and sales to Merisel accounted for 14%, 8% and 5% of net revenue, respectively. No other customer accounted for more than 10% of net revenue during these periods. See Note 8 of Notes to Consolidated Financial Statements.

To augment its retail sales efforts, Intuit from time to time has participated in creating bundled product offerings with other hardware and software manufacturers in OEM relationships. To date, the majority of bundles have been for special editions of Quicken for Windows that have more limited feature sets than the standard version of the product. In some cases, OEMs purchase fully-assembled products directly from Intuit, although recently the trend has been towards "diskless" bundles, under which the OEM pre-installs the software on personal computers or included CD-ROMs and includes only documentation. The prices that Intuit receives for OEM sales are typically significantly lower than distributor or direct sale prices, and in certain instances, OEMs receive the products at no cost. While this practice generates little revenue and reduces Intuit's operating margins in the short term, the Company believes that this channel is strategically important because it allows the Company to acquire large numbers of new customers with the potential to generate future sales of software upgrades, electronic financial services and other Intuit products. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Results of Operations - Twelve Months Ended July 31, 1996 and 1995." The practice is also important in responding to the current competitive environment for personal finance software. See "Competition."

Direct sales continue to be an important sales channel for Intuit, particularly for small business and tax products and products offered through Parsons. For example, during fiscal 1996, all of Intuit's professional tax and supplies products and tax table service revenues, approximately 37% of its small business accounting product revenues, and approximately 39% of its personal tax software product revenues were from sales directly by Intuit to end users utilizing targeted direct-mail solicitations and direct-response advertising in selected magazines and newspapers. In addition, almost all Parsons sales are made through direct-mail offers and outbound telemarketing. Intuit believes that direct-mail advertising, in addition to generating orders, stimulates retail demand and increases general consumer awareness of Intuit's products. Accordingly, during fiscal 1996, the Company expanded its direct marketing activities in order to

sell products directly to its growing registered customer base and to reach potential new customers.

Payment terms for retailers and distributors are generally net 30 to 45 days. The Company has a liberal return policy for its distributors and retailers, although they are encouraged to make returns within certain time periods, particularly for tax products. The Company generally has an unconditional return policy for consumers who purchase products directly from the Company. Historically, the Company's returns have not materially varied from reserves established for such returns.

INTERNATIONAL

Intuit has developed versions of Quicken for sale in Australia, Canada, France, Germany, Spain, the United Kingdom, Austria, South Africa and certain Latin American countries, and versions of QuickBooks for the United Kingdom, Germany, Australia and South Africa. Milkyway, the Company's Japanese subsidiary, now offers a Windows 95 version of Kobanto, a small business software product, as well as other products. Intuit also produces personal tax preparation products for certain international markets: QuickTax in Canadian and Australian markets and QuickSteuer(R) in Germany. In June 1995, the Company purchased the tangible assets and intellectual property of Mysterious Pursuit, an outside developer of tax software for the Australian, German, New Zealand and United Kingdom markets. During fiscal 1996, the Company closed its operations in Australia and has integrated certain of these products into the Intuit product line. Intuit may introduce versions of its products in other countries based on customer demand and available resources.

The development of products for foreign markets requires substantial additional time, effort and expense because of the large differences among countries' financial practices and cultures. Although international revenue has been limited to date, Intuit believes that it may increase substantially over the next several years. The Company intends to establish additional international operations, hire additional personnel and recruit additional international resellers in order to attempt to increase international revenue. Although the Company did experience significant growth in international operations in fiscal 1996, its German subsidiary had experienced delays in two critical product launches in the second quarter of fiscal 1996, resulting in late delivery of products to retail channels and excess inventory levels in the distribution channel. In addition, international growth slowed from the first half of fiscal 1996 to the second half of fiscal 1996, due to general weakness in European consumer software markets. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Results of Operations - Twelve Months Ended July 31, 1996 and 1995" and Note 8 of Notes to Consolidated Financial Statements. To the extent that the Company is unable to expand international revenue in a timely and cost-effective manner, the Company's business, operating results and financial condition could be materially adversely affected. There can be no assurance that the Company will be able to maintain or increase international market demand for the Company's products.

The Company's international revenue is currently denominated in a variety of foreign currencies and the Company does not currently engage in any hedging activities. Although exposure to currency fluctuations to date has been insignificant, there can be no assurance that fluctuations in the currency exchange rates in the future will not have a material adverse effect on the Company's business, operating results and financial condition. See Note 1 of Notes to Consolidated Financial Statements. Additional risks inherent in the Company's international business activities include unexpected changes in regulatory requirements, tariffs and other trade barriers, costs of localizing products for foreign countries, lack of acceptance of localized products in foreign countries, longer accounts receivable payment cycles, fluctuations in foreign currency values, difficulties in collecting payment, difficulties in managing international operations, compliance with a wide variety of financial reporting requirements and systems, which can result in accounting and forecasting errors, potentially adverse tax consequences including repatriation of earnings, reduced protection for the Company's intellectual property rights and the burdens of complying with a wide variety of foreign laws. There can be no assurance that such factors will not have a material adverse effect on the Company's future international revenue and, consequently, the Company's business, operating results and financial condition.

CUSTOMER SERVICE AND TECHNICAL SUPPORT

Intuit provides technical support and customer service for its products by telephone, mail, facsimile, electronic bulletin boards and modem. Intuit has installed sophisticated call-handling and facsimile processing equipment to improve the efficiency of its support and customer service operations. The Company operates major telephone support centers in Tucson, Arizona; Fredericksburg, Virginia; Hiawatha, Iowa; Downers Grove and Aurora, Illinois (where ISC is currently located); and Rio Rancho, New Mexico. In addition, the Company's supplies business has a telesales and service center in Mountain View, California. During periods of peak call volumes, Intuit hires substantial numbers of temporary employees, and also outsources part of its customer service

function, to assist the

full-time staff in serving customers. Despite its efforts to staff and equip its customer service and support functions appropriately, from time to time during peak periods Intuit's ability to respond to customer orders and support calls in a timely manner may be temporarily impaired due to constraints on available personnel or internal systems. In addition, delays in order fulfillment, and events such as the occurrence of unexpected product errors, may result in unusually high volumes of customer calls that temporarily exceed Intuit's response capacity. For example, the Company experienced significant operational problems as a result of inadequacies in certain of its systems, procedures and controls when, during the quarter ended January 31, 1995 and following weeks, Intuit's existing direct order entry systems were unable to process all of the orders received on a timely basis. This resulted in a number of problems, including adverse publicity, lost business and customer dissatisfaction. During fiscal 1996, the Company's online banking and bill payment customers experienced difficulties in connecting to these services, requiring the Company to invest in correcting certain operational problems during the fiscal year. Such occurrences in the future can be expected to adversely affect Intuit's customer relationships and sales.

In the future, Intuit will be required to continue to improve its management controls and reporting systems and procedures on a timely basis as well as to expand, train and manage its employee work force. These tasks are made more difficult as a result of the seasonal nature of the Company's business, and the challenges these tasks pose will require substantial time and attention from management. To address these areas, during fiscal 1996, the Company made significant investments in facilities and infrastructure related to customer service and technical support, devoted significant resources to increase staffing and training of customer service and support personnel in order to increase capacity and improve service levels, and invested in correcting operational problems relating to its network services. Although the Company is taking steps to improve its internal systems, procedures and controls, there can be no assurance that the Company will be successful in doing so. Failure to do so would have a material adverse effect upon the Company's business, operating results and financial condition.

In the past, the Company has generally not charged customers for technical support and customer services. However, during fiscal 1996 it began charging its QuickBooks and QuickBooks Pro customers for telephone support. The Company believes that this step is consistent with industry trends in the small business products market. The Company also began charging for support on older DOS versions of Quicken during fiscal 1996. The Company's primary competitors in the personal finance market do not currently charge customers for support services. The Company may institute support fees for other products in the future. The Company will evaluate its recent decisions to implement support fees in light of customer reaction, and will consider adjusting its policies if there is significant unfavorable customer reaction. There has been no significant adverse customer reaction to date with respect to QuickBooks and Quicken for DOS support fees. However, there can be no assurance that these new policies will not have a material adverse impact on customer relations.

MANUFACTURING AND SHIPPING; BACKLOG

Intuit outsources the majority of its software manufacturing and distribution, including diskette purchase and duplication, printing of manuals and boxes, assembly of final product, and shipping. Outsourcers are contractually required to adhere to strict quality guidelines defined and measured by Intuit. Intuit maintains a small in-house manufacturing and distribution facility to ship a large number of products that have a relatively small volume, predominantly to direct customers. Customer returns for direct sales are primarily handled in-house, while returns from the retail distribution channel are handled primarily by a third party. Intuit normally ships products within one week after receipt of an order, with the exception of tax preparation software. Orders for tax software are usually taken beginning in late April (for professional tax products) and in late September (for consumer tax products) and the tax products are shipped when available, typically between October and March. Intuit has relatively little backlog at any time and does not consider backlog to be a significant indicator of future performance.

SEASONALITY; QUARTERLY FLUCTUATIONS IN REVENUE AND OPERATING RESULTS

The Company's business has experienced, and is expected to continue to experience, substantial seasonality, due principally to the timing of the tax return preparation season, the timing of product launches for new or updated versions of products and, to a lesser extent, to consumer software buying patterns. Sales of the Company's tax products are concentrated in the period from November, when certain professional tax products are released,

through March, when consumers purchase the products in advance of the April 15 tax return filing deadline. Sales of the Company's Quicken product are typically strongest during the year-end holiday buying season. As a result of these

seasonal patterns, the Company generated income from operations before acquisition-related charges during its fiscal quarters ended January 31, 1995 and 1996 and April 30, 1995 and 1996. Intuit normally experiences significant losses from operations before acquisition-related charges during its July and October fiscal quarters because lower seasonal revenues are more than offset by continuing operating expenses necessary to support direct marketing campaigns, research and development and infrastructure requirements, among other items. See Note 11 of Notes to Consolidated Financial Statements. The Company's historically reported quarters have not reflected the full effect of this seasonal pattern, principally because, with the exception of Milkyway, all of the Company's business acquisitions were accounted for using the purchase method of accounting, and therefore included the revenues and expenses of the acquired companies only from the closing dates of the acquisitions. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

The Company's quarterly operating results have fluctuated significantly in the past, and are likely to fluctuate significantly in the future, based upon a number of factors. In addition to seasonal factors described above, the Company's quarterly operating results can be affected significantly by the number and timing of new product or version releases by the Company, the timing of product announcements or introductions by the Company's competitors, discretionary marketing and promotional expenditures, research and development expenditures and a variety of non-recurring events, such as acquisitions. Products are generally shipped as orders are received, so the Company's backlog at any given time is not material. Consequently, quarterly sales and operating results depend primarily on the volume and timing of orders received during the quarter, which are difficult to forecast. A significant portion of the Company's operating expenses are relatively fixed, and planned variable expenditures are based on sales forecasts. If revenue levels are below expectations, operating results are likely to be materially adversely affected. In particular, net income, if any, may be disproportionately affected because only a small portion of the Company's expenses varies with revenue in the short term. In response to competition, the Company may also choose to reduce prices or increase spending, which may adversely affect the Company's operating results and financial condition.

Although the Company has experienced significant growth in revenue in recent years, there can be no assurance that the Company will sustain such revenue growth in the future or be profitable on an operating basis in any specific future period. Due to the foregoing factors, the Company believes that period-to-period comparisons of its results of operations are not necessarily meaningful and should not be relied upon as indicators of future performance. The unpredictability of the Company's financial results may have a significant impact on the market value of the Company's common stock. For example, following the second quarter of fiscal 1996, the Company announced that its net income for fiscal 1996 would not increase from fiscal 1995. This projection was below the expectations of public market analysts and investors and the price of the Company's common stock was materially adversely affected. It is possible that in future periods, the Company's revenue or operating results may differ from expectations and that the price of the Company's common stock may fluctuate as a result. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Overview" and "- Certain Factors that May Affect Future Results."

COMPETITION

The markets for the Company's products, both domestic and international, are intensely competitive, subject to rapid change and characterized by constant pressures to reduce prices, incorporate new product features and accelerate the release of new products and product enhancements. Intuit believes that the principal competitive factors in the software industry are product features and quality, reliability, ease of use, brand name, access to distribution channels, quality of support services, and price. The Company encounters competition from a number of sources, and many of the Company's competitors or potential competitors, notably Microsoft Corporation ("Microsoft"), have significantly greater financial, technical and marketing resources and broader product lines than the Company. A variety of potential actions by any of the Company's competitors, including reduction of product prices, increased promotion, announcement or accelerated introduction of new or enhanced products, product giveaways or product bundling could have a material adverse effect on the Company's business, operating results and financial condition. The software industry, including the Company, has experienced a significant platform shift

from DOS to Windows, and more recently to Windows 95. There is increased competition on the Windows and Windows 95 platforms, including lower-priced products or free promotional products that compete with the Company's software. In order to respond to these competitive factors, the Company may use price reductions and/or other promotional offers, resulting in reduced gross margins. Prolonged price competition would have a material adverse effect on Intuit's business, operating results and financial condition. As platform shifts and other technological changes continue to occur, there are risks that competitors may respond more quickly than the Company to new or emerging technologies or changes in customer requirements such as the introduction of new personal

computer software or hardware platforms or changes in online or financial telecommunications technology. Accordingly, it is possible that current or potential competitors could rapidly acquire significant market share. Conversely, it is possible that customers may not accept a platform that the Company has chosen or will choose to pursue. Further consolidation of the software industry or changes in the personal computer industry could lead to increased competition in technological innovation and pricing strategies.

Only a small percentage of products introduced in the consumer software market achieves any degree of sustained market acceptance. There can be no assurance that the Company will be able to successfully compete against current or future competitors or that competitive pressures faced by the Company will not have a material adverse effect upon its business, operating results and financial condition.

The Company expects that Microsoft will be a formidable competitor in the markets in which the Company currently competes and will compete in the future. In connection with the Company's proposed merger with Microsoft that was announced in October 1994 and terminated in May 1995, the Company shared business information with Microsoft. Although the Company believes only a limited amount of confidential information was disclosed to Microsoft, there can be no assurance that Microsoft will not use information made available to it to compete with the Company. Microsoft's Money products are being aggressively promoted with free product offers through various distribution channels, including the Internet. Microsoft also includes Money in its Home Essentials software package, and can be expected to take additional actions to distribute its products to a wide customer base. These actions will create additional competitive pressure for the Company's Quicken products.

In addition to Microsoft, the Company's products and services also compete with products and services offered by a number of other companies, many of which have greater resources and/or broader product lines than the Company. In the market for personal finance products, the Company also competes with MECA Software, Inc. (a company owned by a consortium of banks, including Bank of America and NationsBank), among others. In addition, the Company faces increasing competition from financial institutions, such as Citibank, Charles Schwab and others, that are developing their own financial software and web sites. Such institutions could opt to support only their internally developed products, both Quicken as well as proprietary products, or a wide variety of software solutions. The Company's small business products compete with Peachtree accounting software from ADP, as well as products from Sage and BestWare, among others. In the personal tax area, the Company competes with Block Financial Corporation and Computer Associates, Inc., among others. The professional tax preparation market is highly fragmented. Intuit's principal competition includes Arthur Andersen, Lacerte Software Corporation, Commerce Clearing House/Computax, SCS/Compute, Creative Solutions, Pencil Pushers, Inc. and CLR Fasttax. Because there are relatively low barriers to entry, the Company expects competition to increase from both established and emerging companies to the extent the markets addressed by the Company continue to develop and expand.

In the area of electronic financial services, the online banking and bill payment services provided to financial institutions customers by the Company are in competition with Visa Interactive, as well as a number of banks such as Wells Fargo, NationsBank, Bank of America and Citibank. It is possible that some or all of the financial institutions that currently have contractual arrangements with the Company will begin to offer their own online banking and/or bill payment services. If the Company's sale of ISC to CheckFree is completed as expected, the Company will no longer be competing directly in the "back-end" bill pay processing market. Investor Insight and NETworth compete with large, established online financial publishers such as Dow Jones, ValueLine and Morningstar. The principal competitors for the Company's QFN web site are the financial areas on online services, as well as standalone financially-oriented web sites like Quote.com.

Intuit's supplies products compete with those of a number of business forms companies, such as Deluxe Business Systems, New England Business Services and Moore Business Forms. In addition, several direct mail check printers have begun offering computer checks and forms in addition to their personal check lines. Intuit believes that its success in the supplies business results from a number of factors, including its direct access to its software user base through in-box advertising, price, service, product quality, speed of delivery and guaranteed compatibility with Intuit software products. There can be no assurance, however, that these factors will continue to allow Intuit to maintain its existing level of, or generate additional, supplies revenue.

MANAGEMENT OF GROWTH

The Company has experienced significant growth during the past three years, both internally generated and through mergers and acquisitions. Since September 1993, Intuit has acquired ChipSoft, Best's professional tax product line, ISC, Parsons, Mysterious Pursuit's tax software technology, PNI, IIS and GALT, and has added support centers in Tucson, Arizona; Fredericksburg, Virginia; Hiawatha, Iowa; Downers Grove and Aurora, Illinois; and Rio Rancho, New Mexico. These acquisitions and additions have expanded the Company's size and number of

product lines, increased the number of its employees and resulted in the Company having a number of geographically dispersed domestic offices and operations, in addition to expanding international offices and operations. There are significant risks associated with this growth. Certain of the Company's acquisitions have involved issuances of equity securities, the incurrence of debt and contingent liabilities, and amortization expenses related to goodwill and other intangible assets, which have adversely affected the Company's operating results and financial condition. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Results of Operations." The Company's ability to integrate and organize its new businesses and to successfully predict and manage its growth will require improvements in its operational, financial and management information systems. Although the Company has taken steps to improve its internal processes, it has experienced significant operational difficulties in its order entry and shipping systems and in providing technical support to customers in the past. See "Customer Service and Technical Support." It has also experienced excess capacity at certain call centers due to rapid expansion. There can be no assurance that similar problems will not occur in the future or that they will not have a material adverse effect on the Company's results of operations. In particular, the process of integrating acquired companies' operations, technologies and products into the Company's operations has in the past, and may in the future, result in unforeseen operating difficulties and expenditures, requiring significant management attention that would otherwise be available for the ongoing development of the Company's business. Moreover, there can be no assurance that the anticipated benefits of any specific acquisition will be realized.

The Company may in the future pursue new technologies or businesses, some of which may be accomplished internally and some of which may be accomplished through joint ventures or acquisitions of complementary product lines, technologies or businesses. Future acquisitions by the Company involve the risks described above, as well as the risks of entering markets in which the Company has no or limited direct prior experience, the potential loss of key employees of the acquired company and of Intuit, and the possibility of additional regulatory burdens. In the event that the Company pursues such new businesses or technologies, either through internal generation or through joint ventures or acquisitions, there can be no assurance that the Company's business, operating results and financial condition would not be materially adversely affected.

REGULATED BUSINESSES

Certain aspects of the Company's current products and services are subject to federal and state regulation, either directly or indirectly, as described below. It is possible that these products and services will become more heavily regulated in the future, or that other existing or new products and services will become subject to government regulation.

Quicken Investment Services, Inc. ("QISI"), the Company's subsidiary that offers Quicken Financial Planner and certain investment-related features of other Intuit products, is registered as an investment adviser under the federal Investment Advisers Act of 1940, and QISI and certain of its officers are registered under the investment adviser laws in certain states. As a result of this registration, QISI is subject to a variety of regulatory requirements that do not typically apply to software companies. Compliance with these regulatory requirements imposes restrictions on

QISI's business practices in a variety of areas, including advertising and distribution arrangements, and also requires allocation of material financial, legal and management resources. QISI could also be subject to liability and/or injunctive actions for failure to comply with investment adviser regulatory requirements.

The Company's IIS subsidiary, which runs the InsureMarket web site, is required to be licensed as an insurance producer by the insurance regulator of each state in which IIS engages in the solicitation, negotiation or effectuation of insurance policies. IIS is currently in the process of obtaining the necessary licenses in all fifty states. Until IIS is licensed as an insurance producer by a state, IIS will be unable to engage in any activities requiring such licensing. In addition to requiring an insurance producer license, state insurance laws regulate other business activities of IIS, including advertising, handling of fiduciary funds, information practices, record keeping and sharing of compensation with unlicensed parties. Failure to comply with such regulations could expose IIS to administrative penalties and sanctions. Compliance with the requirements of state insurance laws will require allocation of material financial, legal and management resources of IIS.

Certain bill payment services that the Company provides directly to consumers are subject to the Electronic Funds Transfer Act and regulations promulgated by the Federal Reserve Board and implemented by the Federal Trade Commission. Banking and bill payment services that the Company provides to financial institutions and, indirectly, to their customers, are not directly subject to regulation under certain laws and regulations applicable to banks and other financial institutions. However, the Company's provision of such services may indirectly be affected as a result of limitations that such laws and regulations

may impose on financial institutions in their contractual arrangements with the Company. In addition, the Company has made changes in certain of its products to facilitate regulatory compliance by financial institutions. Moreover, to the extent that the Company serves as a third-party processor or service provider to banks and other financial institutions, the Company is directly subject to Federal Reserve Board regulations and to regulation by federal or state regulators of each such bank or financial institution, including the Office of the Comptroller of the Currency, the Office of Thrift Supervision, the Federal Reserve Bank for the district in which the given bank or financial institution is located, the Federal Deposit Insurance Corporation, the National Credit Union Administration and state banking regulators. Failure to comply with such regulations could expose the Company to penalties and sanctions, and compliance with such regulatory requirements requires allocation of material financial, legal and management resources of the Company. Certain of these regulatory requirements will become inapplicable following the planned sale of ISC.

The Company is currently evaluating additional electronic financial services, including investment account statement download and online trading capabilities. Although the Company will attempt to structure these services in a manner that minimizes regulatory burdens, it is possible that these services, or other investment-related services offered in the future, may require regulatory compliance, such as registration as a broker-dealer under federal and/or state securities or other applicable laws, or other regulation by state regulators. Even if the Company is not required to register as a broker-dealer, it may be impacted by broker-dealer regulations indirectly, as a result of limitations such regulations may impose on financial and investment institutions in their contractual arrangements with the Company.

PROPRIETARY RIGHTS

Intuit regards its software as proprietary and relies primarily on a combination of copyright, trademark and trade secret laws, employee and third-party nondisclosure agreements, and other intellectual property protection methods to protect its products and technology. Intuit also has been granted seven patents and has eight patent applications pending with respect to methods of processing financial data and other processes used in certain of the Company's products. However, Intuit believes that the ownership of patents is not presently a significant factor in its business and that its success does not depend on the ownership of patents, but primarily on the innovative skills, technical competence and marketing abilities of its personnel. Intuit may not always own the software and related technologies used in its product and service offerings. For example, Intuit engaged an outside software development house to develop system software that routes data between Quicken users and banks. Ownership of this software was retained by the developer and is licensed to Intuit. Although Intuit believes that it currently has satisfactory contractual and business relationships with this developer, termination of this relationship could interrupt Intuit's ability to provide certain services.

Intuit generally has no signed license agreements with the end users of its products and does not copy-protect its software. In addition, existing copyright laws afford only limited protection, and it may be possible for unauthorized third parties to copy Intuit's products or to reverse engineer or obtain and use information that Intuit regards as proprietary. There can be no assurance that Intuit's competitors will not independently develop technologies that are substantially equivalent to, or superior to, Intuit's technologies. Policing unauthorized use of Intuit's products is difficult and, while Intuit is unable to determine the extent to which software piracy of its products exists, software piracy can be expected to be a persistent problem. In addition, the laws of certain countries in which Intuit's products are or may be distributed do not protect Intuit's products and intellectual property rights to the same extent as the laws of the United States.

Intuit believes that its products, trademarks and other proprietary rights do not infringe upon the proprietary rights of third parties. From time to time, however, Intuit has received communications from third parties asserting that features or content of certain of its products, or its use of certain trademarks, may infringe upon intellectual property rights of such parties. To date, no such claim has resulted in currently pending litigation except as described in "Legal Proceedings" or in the payment of any claims. However, Intuit cannot predict whether the impact of any known claims will be material. As the number of software products in the industry increases and the functionality of these products further overlaps, Intuit believes that software products increasingly will become the subject of claims that they infringe the rights of others. There can be no assurance that third parties will not assert infringement claims against Intuit in the future or that any such assertion will not result in costly litigation or require Intuit to obtain a license to intellectual property rights of third parties. There can be no assurance that such licenses will be available on reasonable terms, or at all.

EMPLOYEES

As of September 30, 1996, Intuit and its domestic subsidiaries had approximately 3,184 full-time domestic employees, and its international subsidiaries had an aggregate of 290 full-time employees. Intuit and its employees are not parties

to any collective bargaining agreements, and Intuit believes that its relations with its employees are good. The Company has an employment agreement with William V. Campbell (the Company's President and Chief Executive Officer) that is terminable at will by either party. Intuit believes its future success and growth will depend in large measure upon its ability to attract and retain qualified technical, management, marketing, product development and sales personnel. Although the Company believes it offers competitive compensation, there is intense competition in the software industry for qualified personnel and the Company, like many of its competitors, has experienced difficulty hiring and retaining employees. In particular, employee morale and retention have been hindered by recent significant declines in the price of the Company's common stock, which reduced or eliminated the value of stock options held by many employees. To address this problem, in September 1996, the Company offered to lower the exercise prices on existing options to the fair market value of the Company's common stock on September 18, 1996 for all outstanding options with a higher exercise price (except options held by the Company's Chief Executive Officer and Senior and Executive Vice Presidents). Any option holder electing to reprice an option will not be permitted to exercise the repriced option, even if it is vested, for a certain period of time. See Note 12 of Notes to Consolidated Financial Statements.

ITEM 2
PROPERTIES

The Company's principal offices are located in Mountain View, California, with additional leased office and manufacturing space in Palo Alto and San Diego, California. The Mountain View facilities are occupied pursuant to long-term leases entered into in November 1994. These facilities will replace the Company's facilities in Palo Alto in a staged move that began in December 1995 and is currently expected to be completed during calendar 1997. Intuit has committed to spend approximately $47.2 million for the Mountain View leases over their remaining terms (which range from seven to eight years). Two of the Mountain View buildings are not currently occupied but are subleased by Intuit in their entirety. In June 1995, the Company entered into a build-to-suit lease for approximately 140,000 square feet of new office space in San Diego to replace existing facilities. The relocation to this new facility was completed in June 1996. Intuit has committed to spend approximately $15.2 million for the new San Diego lease over its eight-year term.

In addition to the facilities noted above, Intuit leases property in Tucson, Arizona and Fredericksburg, Virginia (where two of the Company's call centers are located); Hiawatha, Iowa (where its Parsons subsidiary, as well as a new call center, are located); Downers Grove and Aurora, Illinois (where its ISC subsidiary and a call center are located); Pittsburgh, Pennsylvania (where GALT is located); Alexandria, Virginia (where IIS is located); and in Canada, England, France, Germany, Japan and the Netherlands (where foreign subsidiaries are located). Intuit occupies its call center facilities in Rio Rancho, New Mexico, pursuant to a long-term financing arrangement under which the Company will take title to the property for a nominal sum in September 2014. See Note 4 of Notes to Consolidated Financial Statements. Intuit also owns two additional properties in Hiawatha, Iowa, which are occupied by its Parsons subsidiary.

Intuit believes that its facilities are adequate for its current and near-term needs and that additional space is available to provide for anticipated growth.

ITEM 3
LEGAL PROCEEDINGS

On March 29, 1994, Joann McGovern filed a class action lawsuit against ChipSoft (which was subsequently merged into the Company) in the Chancery Division, Circuit Court of Cook County, Illinois, on behalf of the plaintiff and other purchasers of the 1993 HeadStart version of the Company's TurboTax tax preparation software (the "Product"). The plaintiff asserts claims for breach of express and implied warranties and violation of the Illinois Consumer Fraud Act and seeks, on behalf of herself and purported class members, refund of the purchase price as well as consequential and punitive damages. The plaintiff claims that the packaging of the Product was false and misleading in that it did not adequately apprise purchasers of the need to obtain the final version of TurboTax (which the plaintiff admits was available free of charge) in order to prepare final tax forms for filing with the IRS. In October 1995, the Company obtained summary judgment on the plaintiff's claims for breach of express and implied warranties. On January 4, 1996 the plaintiff's motion for class certification for the Illinois Consumer Fraud Act claim was denied. The plaintiff is seeking judicial review of an issue relating to this determination. On September 19, 1996 the Company filed a motion for summary judgment on the plaintiff's Illinois Consumer Fraud Act claim, with a hearing currently scheduled for December 12, 1996. The Company believes that the plaintiff's claims are without merit and intends to defend the litigation vigorously.

On August 23, 1995, Interactive Gift Express, Inc. filed a patent infringement

suit in the United States District Court for the Southern District of New York against the Company and seventeen other defendants alleging infringement of U.S. Patent No. 4,528,643 and seeking unspecified damages. Interactive Gift Express subsequently changed its name to E-Data Corp. The complaint did not specify which products of the Company allegedly infringed the patent, and did not indicate which claims of the patent are allegedly infringed. On August 26, 1996, the plaintiff filed a report identifying which claims of the patent were allegedly infringed and providing its interpretation of the claims, and also stating that the Company was infringing the subject patent by "selling software online." The parties have not yet begun to engage in discovery, which the Company believes may be material. Although discovery has not yet commenced, based on the investigation conducted by the Company to date and a review of its products, the Company believes that the complaint is without merit and intends to defend the litigation vigorously.

On June 26, 1996, Barbara Hubbard, a former corporate controller of the Company, filed a lawsuit against the Company and its Chairman, its President and its former Chief Financial Officer, in the Santa Clara County, California, Superior Court, alleging sex discrimination, wrongful discharge, breach of contract, defamation and violations of the California Labor Code. The complaint seeks damages in an unspecified amount. The Company has answered the complaint, denying all material allegations, with the individual defendants demurring. Intuit believes that the complaint is without merit and intends to defend the litigation vigorously.

On July 31, 1996, Trio Systems L.L.C. ("Trio") filed a lawsuit against the Company in the U.S. District Court, Central District of California (Los Angeles) alleging copyright infringement and violation of a license agreement. The complaint seeks declaratory relief, rescission and $60 million in damages. Trio alleges that the Company infringed Trio's copyrights in certain software by, among other things, allegedly violating the license that was attached to the software in various forms, and by allegedly making copies of the software without the authorization of Trio, or in violation of various terms of the license. Trio also contends that the Company has violated the terms of the license by publishing software that contains software belonging to Trio under conditions that allegedly violate the terms of the license. The Company answered the complaint on September 3, 1996, denying all material allegations, and discovery is proceeding. On September 30, 1996, Trio filed a motion for a preliminary injunction seeking to prevent the Company from shipping any Intuit products containing Trio software, including Quicken products. The Company has filed a response to this motion and a hearing on the motion is scheduled for October 28, 1996. The Company intends to oppose the motion vigorously and expects that its new Quicken products will be available for purchase on October 24, 1996. Although discovery has just begun, based on the investigation conducted by the Company to date and a review of its products, the Company believes that the complaint is without merit and intends to defend the litigation vigorously.

Financial Courseware Ltd. ("FCL"), an Irish company, has a software product named "Intuition" that is used for teaching financial terminology within institutions. FCL has opposed the Company's application to register "Intuit" as a trademark in Canada, Germany, Switzerland and the United Kingdom. In Switzerland, the Company's application was rejected, and the Company has appealed. The oppositions remain pending in the other three countries. In December 1995, FCL initiated proceedings against Intuit Ltd. (the Company's United Kingdom subsidiary) in Ireland seeking to enjoin use of the Intuit mark in Ireland and accounting for damages. A response and counterclaim have been filed denying all claims and seeking to restrict FCL's rights under its registration. Direct negotiations among the principals of FCL and the Company have commenced, but it is too soon to determine how the matter will be resolved.

The Company is also subject to other legal proceedings and claims that arise in the ordinary course of its business. Management currently believes that the ultimate amount of liability, if any, with respect to any pending actions, either individually or in the aggregate, will not materially affect the financial position, results of operations or liquidity of the Company. However, the ultimate outcome of any litigation is uncertain. If an unfavorable outcome were to occur, the impact could be material. Furthermore, any litigation, regardless of outcome, can have an adverse impact on the Company as a result of defense costs, diversion of management resources and other factors.

ITEM 4
SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Company did not submit any matters to a vote of security holders during the quarter ended July 31, 1996.

EXECUTIVE OFFICERS AND KEY EMPLOYEES OF THE REGISTRANT

The executive officers and key employees of Intuit are as follows:

<TABLE>
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NAME	AGE	POSITION
<S>	<C>	<C>
Scott D. Cook	44	Chairman of the Board of Directors
William V. Campbell	56	President, Chief Executive Officer and Director
Michael A. Ahearn	49	Vice President, Human Resources
Mari J. Baker	31	Vice President and General Manager, Personal Finance Group
Eric C.W. Dunn	38	Senior Vice President, Consumer/International Division
Alan A. Gleicher	44	Vice President, Sales
Mark R. Goines	43	Vice President and General Manager, International Group
William H. Harris, Jr.	40	Executive Vice President, Financial Services and Tax Division
James J. Heeger	40	Chief Financial Officer and Senior Vice President, Finance, Customer Services and Operations
Virginia L. Miller	45	Treasurer and Director of Investor Relations
John Monson	41	Senior Vice President, Small Business Division
Carl J. Reese	39	Vice President, Tax Software Engineering
Daniel N. Rudolph	39	Vice President and General Manager, Banking Services
Greg J. Santora	45	Corporate Controller
William C. Shepard	53	Vice President and General Manager, Professional Products Group
William L. Strauss	38	Vice President, Customer Services
Catherine L. Valentine	44	General Counsel and Corporate Secretary
Larry J. Wolfe	45	Vice President and General Manager, Personal Tax Products Group

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Mr. Cook, a founder of Intuit, has been a director of the Company since March 1984 and Intuit's Chairman of the Board of Directors since March 1993. From March 1984 to April 1994, he also served as President and Chief Executive Officer of Intuit. Mr. Cook also serves on the board of directors of Broderbund Software, Inc. Mr. Cook holds a Bachelor of Arts degree in economics and mathematics from the University of Southern California and a Masters in Business Administration from Harvard University.

Mr. Campbell joined Intuit as its President and Chief Executive Officer and a director in April 1994. Mr. Campbell was President and Chief Executive Officer of GO Corporation, a pen-based computing software company, from January 1991 to December 1993. He was President and CEO of Claris Corporation, a software subsidiary of Apple Computer Inc., from 1987 to January 1991. Mr. Campbell also serves on the board of directors of SanDisk, Inc. Mr. Campbell holds both a Bachelors and a Masters degree in economics from Columbia University.

Mr. Ahearn joined Intuit as its Vice President of Human Resources in September 1993. From 1987 to 1993, he held a variety of human resources roles within Apple Computer, Inc., including Vice President Worldwide Human Resources for Claris Corp., Apple's wholly-owned software subsidiary, from 1991 to 1993. Mr. Ahearn holds a Bachelor of Arts degree in economics from Amherst College and a Masters in Business Administration from Boston College.

Ms. Baker became Intuit's Vice President and General Manager of the Personal Finance Group in July 1996. From April to July 1996, she served as Vice President of the Company's Financial Supplies Group, and she served as Vice

President of International from September 1994 to April 1996. From January 1994 through September 1994, Ms. Baker was Vice President of Marketing for Now Software, Inc., a personal and small business software company. Ms. Baker first joined Intuit in April 1989 and served in various marketing positions until she left the Company in December 1993. Ms. Baker holds Bachelor of Arts degrees in economics and sociology from Stanford University. Ms. Baker also serves on the Board of Trustees for Stanford University.

Mr. Dunn became Senior Vice President of the Consumer/International Division in July 1996. He served as Vice President and General Manager of Intuit's Personal Finance Group from May 1994 to July 1996, and served as the Company's Chief Financial Officer and a director from September 1986 to December 1993. He also served as Intuit's Corporate Secretary from March 1991 to December 1993. From December 1993 to May 1994, Mr. Dunn was an Intuit Fellow. Mr. Dunn holds a Bachelor of Arts degree in physics and a Masters in Business Administration from Harvard University.

Mr. Gleicher joined Intuit as Vice President of Sales in December 1993. From September 1990 until Intuit's acquisition of ChipSoft in December 1993, Mr. Gleicher served as ChipSoft's President, Personal Tax Division. Mr. Gleicher has a Bachelors degree in economics and business finance from San Diego State University. He also earned a certificate from the Marketing Management Program at Stanford University.

Mr. Goines became Vice President and General Manager of the International Group in April 1996. He initially joined Intuit as Vice President and General Manager of Personal Tax Products in December 1993 in connection with the Company's

acquisition of ChipSoft. From April 1991 to December 1993, Mr. Goines served as the Director of Product Management of ChipSoft. Mr. Goines holds a Bachelor of Science degree and a Masters in Business Administration from the University of California at Berkeley.

Mr. Harris became an Executive Vice President of Intuit in December 1993, in connection with the Company's acquisition of ChipSoft. He has been head of the Financial Services and Tax Division since July 1996. From January 1992 to December 1992, Mr. Harris served as President and Chief Operating Officer of ChipSoft; and from June 1991 to January 1992, he was Executive Vice President and Chief Operating Officer of ChipSoft. Mr. Harris earned a Bachelor of Arts degree in American Studies from Middlebury College in Vermont and a Masters in Business Administration from Harvard University.

Mr. Heeger became Chief Financial Officer of the Company in April 1996, and has been Senior Vice President in charge of the Finance, Customer Services and Operations functions since July 1996. He served as Vice President and General Manager of the Company's Supplies Group from December 1993 to April 1996 and served as Intuit's Vice President of Operations from August 1993 to December 1993. From September 1982 to August 1993, Mr. Heeger served in a number of marketing and operations roles at Hewlett-Packard Company. From 1987 to August 1993, he was responsible for distribution of Hewlett-Packard's personal computer products. Mr. Heeger received a Bachelor of Science degree in management from the Massachusetts Institute of Technology and a Masters in Business Administration from Stanford University.

Ms. Miller joined the Company as Treasurer and Director of Investor Relations in March 1996. From 1985 through 1995, Ms. Miller was Treasurer of The Vons Companies, Inc., a retail supermarket company. Ms. Miller holds a Bachelor of Arts degree in liberal arts from the University of Illinois and a Masters in Business Administration from DePaul University.

Mr. Monson became Senior Vice President of the Small Business Division in July 1996. He served as Vice President and General Manager of Intuit's Business Products Group from May 1994 to July 1996 and as Intuit's Vice President of Marketing from January 1989 to May 1994. Mr. Monson holds a Bachelor of Arts degree in mathematics from Whitman College and a Masters of Management degree in marketing and finance from Northwestern University.

Mr. Reese became the Vice President of Tax Software Engineering in December 1993 in connection with the Company's acquisition of ChipSoft. Mr. Reese joined ChipSoft in October 1992 as its Vice President of Tax Software Engineering. Prior to joining ChipSoft, Mr. Reese was employed by Jostens Learning Corporation, an

educational software company, where he served as Director of Instructional Management Systems from May 1990 to October 1992. Mr. Reese holds a Bachelor of Science degree from Lehigh University.

Mr. Rudolph became Vice President of the Banking Business Division in August 1996. He has served as General Manager of the division since February 1996. From June 1993 to February 1996, he served as Director of Marketing for the Company's Business Products Group. Prior to joining Intuit, Mr. Rudolph was employed by Mark Products, Inc., a manufacturer of pressurization and leak locating equipment, software and services for the telecommunications industry, where he served as Executive Vice President and Chief Operating Officer from 1987 to 1993. Mr. Rudolph holds a Bachelor of Arts degree in economics from Williams College and a Masters in Business Administration from Stanford University.

Mr. Santora joined Intuit as Corporate Controller in January 1996. From 1983 to 1995, Mr. Santora held a variety of senior financial positions at Apple Computer Inc., including Senior Finance Director of Apple Americas from May 1992 to January 1996 and Director of Internal Audit from May 1991 to May 1992. Mr. Santora, who is a certified public accountant, holds a Bachelor of Science degree in accounting from the University of Illinois and a Masters in Business Administration from San Jose State University.

Mr. Shepard became Intuit's Vice President of the Professional Products Group in December 1993 in connection with the Company's acquisition of ChipSoft. Mr. Shepard joined ChipSoft in February 1993 as its Director of Development, GUI Income Tax Applications and became Vice President and General Manager of its Professional Products Group in July 1993. Prior to joining ChipSoft, Mr. Shepard was employed by SCS/Compute & Accountants Microsystems, Inc., where he served in various capacities, including Executive Vice President, Product Development and Support from May 1990 through January 1993. Mr. Shepard holds a Bachelor of Science in mathematics from the University of Washington.

Mr. Strauss has been Intuit's Vice President of Customer Services since December 1993. He also served as Vice President of Operations from December 1993 to May 1995. Mr. Strauss was the Director of Operations at ChipSoft from August 1992 until the Company's acquisition of ChipSoft in December 1993. From July 1989 until August 1992, Mr. Strauss was Senior Vice President of Customer Service and Credit at Hanover Direct, a direct marketing catalog company. Mr. Strauss holds

a Bachelors degree in accounting from Syracuse University.

Ms. Valentine joined Intuit as General Counsel in September 1994 and has served as Corporate Secretary since April 1996. From November 1993 to September 1994, she was General Counsel of Macromedia, Inc., a multimedia software tools company. Ms. Valentine was General Counsel of GO Corporation, a pen-based computing software company, from September 1991 to November 1993. Ms. Valentine holds Bachelor of Arts degrees in finance and economics from the University of Illinois and a Juris Doctorate from the University of Chicago.

Mr. Wolfe became Vice President and General Manager of the Company's Personal Tax Group in April 1996. He had been the director of technical support and sales for the Company's Professional Tax Group from March 1994 to April 1996. From January 1990 to March 1994, Mr. Wolfe was Vice President of Direct Link Software, Inc. ("DLS") and its successors. DLS was a privately held software company from January 1990 to March 1993, when it was acquired by ChipSoft in March 1993. ChipSoft was subsequently acquired by the Company in December 1993. Mr. Wolfe holds a Bachelor of Science degree in business administration from the University of Southern California and is a certified public accountant.

PART II
ITEM 5
MARKET FOR REGISTRANT'S COMMON EQUITY
AND RELATED STOCKHOLDER MATTERS

MARKET INFORMATION FOR COMMON STOCK

On July 20, 1995, the Company's Board of Directors authorized a two-for-one stock split in the form of a stock dividend of one share of common stock paid for each share of the Company's common stock that was issued and outstanding at the close of business on August 4, 1995. The stock dividend was distributed on August 21, 1995. All share prices provided below have been adjusted to reflect the stock split.

Intuit's common stock began trading over the counter in March 1993 and is quoted on the Nasdaq National Market under the symbol "INTU." The following table sets forth, for the periods indicated, the range of high and low closing sale prices per share as reported on the Nasdaq National Market:

<TABLE>
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	High	Low
<S>	<C>	<C>
FISCAL 1995		
First quarter	35-9/32	17-1/2
Second quarter	34-7/8	32-3/8
Third quarter	41-7/8	31-3/8
Fourth quarter	43-3/4	31
FISCAL 1996		
First quarter	72	40-5/8
Second quarter	87	53-1/4
Third quarter	67-5/8	43
Fourth quarter	55-1/2	33-1/2

</TABLE>

HOLDERS

As of September 30, 1996, there were approximately 1,000 holders of record of the Company's common stock, representing approximately 30,000 beneficial holders.

DIVIDENDS

The Company has not paid any cash dividends on its capital stock to date. The Company currently anticipates that it will retain all future earnings, if any, for use in its business and does not anticipate paying any cash dividends on its capital stock in the foreseeable future.

ITEM 6
SELECTED CONSOLIDATED FINANCIAL DATA

The following selected condensed consolidated financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Consolidated Financial Statements and related notes thereto appearing elsewhere in this Form 10-K. In August 1994, the Company changed its fiscal year end to July 31 from September 30.

<TABLE>
<CAPTION>
FIVE-YEAR SUMMARY

CONSOLIDATED STATEMENT OF OPERATIONS DATA: (in thousands, except per share data)	YEARS ENDED SEPTEMBER 30, 1992	1993	TEN MONTHS ENDED JULY 31, 1994	YEARS ENDED JULY 31, 1995	1996
<S>	<C>	<C>	<C>	<C>	<C>
Net revenue	$ 97,683	$ 132,792	$ 210,376	$ 419,160	$ 538,608
Costs and expenses:					
Cost of goods sold:					
Product	31,401	41,493	55,151	110,322	136,470
Amortization of purchased software and other (1)	--	--	18,558	11,369	1,399
Customer service and technical support	16,216	23,425	36,664	75,113	106,872
Selling and marketing	27,304	33,047	51,381	109,382	142,319
Research and development	10,631	14,290	26,125	57,332	75,558
General and administrative	4,255	6,227	12,861	26,437	33,153
Charge for purchased research and development (1)	--	--	151,888	52,471	8,043
Other acquisition costs, including amortization of goodwill and purchased intangibles (1)	--	--	40,412	41,775	40,570
Income (loss) from operations	7,876	14,310	(182,664)	(65,041)	(5,776)
Microsoft merger termination fee, net (2)	--	--	--	41,293	--
Interest and other income and expense, net	151	460	1,171	3,748	7,646
Income (loss) from continuing operations before income taxes	8,027	14,770	(181,493)	(20,000)	1,870
Provision for income taxes	2,930	5,350	2,481	24,296	16,225
Income (loss) from continuing operations	5,097	9,420	(183,974)	(44,296)	(14,355)
Loss from operations of discontinued operations, net of income tax benefit of $3,725 (3)	--	--	--	--	(6,344)
Net income (loss)	$ 5,097	$ 9,420	$(183,974)	$ (44,296)	$ (20,699)
Income (loss) per share from continuing operations	$ 0.24	$ 0.40	$ (5.34)	$ (1.07)	$ (0.32)
Loss per share from discontinued operations	--	--	--	--	(0.14)
Net income (loss) per share	$ 0.24	$ 0.40	$ (5.34)	$ (1.07)	$ (0.46)
Shares used in computing net income (loss) per share	21,666	23,350	34,454	41,411	

45,149

	=========	=========	=========	=========

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</TABLE>

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	SEPTEMBER 30,		JULY 31,		
CONSOLIDATED BALANCE SHEET DATA:	1992	1993	1994	1995	1996
(in thousands)					
<S>	<C>	<C>	<C>	<C>	<C>
Cash, cash equivalents and short-term investments	$ 9,608	$ 41,622	$ 87,185	$197,775	$198,018
Working capital	9,924	41,990	68,675	164,281	169,724
Total assets	41,097	97,120	257,593	398,605	418,020
Notes payable and other long-term liabilities	--	689	3,715	8,770	5,583
Total stockholders' equity	21,055	54,896	183,872	280,399	299,235

</TABLE>
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(1) See Note 2 of Notes to Consolidated Financial Statements for a discussion of the Company's material acquisitions.
(2) See Note 9 of Notes to Consolidated Financial Statements for an explanation of the Microsoft merger termination fee.
(3) See Note 12 of Notes to Consolidated Financial Statements for an explanation of discontinued operations.

ITEM 7
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS: The following discussion contains forward-looking statements that are subject to risks and uncertainties. Statements indicating that the Company "expects," "estimates" or "believes" are forward-looking, as are all other statements concerning future financial results, product offerings or other events that have not yet occurred. There are several important factors that could cause actual results or events to differ materially from those anticipated by the forward-looking statements contained in this discussion and other sections of this Form 10-K. Such factors include, but are not limited to: the growth rates of the Company's market segments; the positioning of the Company's products in those segments; the Company's ability to effectively manage its various businesses, and the growth of its businesses, in a rapidly changing environment; the timing of new product introductions; retail sell-through of the Company's products; the emergence of the Internet, resulting in new competition and unclear consumer demands; the Company's ability to adapt and expand its product offerings for the Internet environment; variations in the cost of, and demand for, customer service and technical support; price pressures and the competitive environment in the consumer and small business software and supplies industry; the possibility of calculation errors or other "bugs" in the Company's software products; the emergence of the electronic financial services marketplace; the cost of implementing the Company's electronic financial services strategy; consumer acceptance of online financial service offerings; the Company's ability to establish successful strategic relationships with financial institutions and processors of financial information; changing alliances among financial institutions and other strategic partners; the emergence of competition from these entities as well as from other software companies; changes in laws that may govern any of the Company's products or services; the timing and consumer acceptance of new product releases and services (including current users' willingness to upgrade from older versions of the Company's products); the consummation of possible acquisitions; the Company's ability to integrate acquired operations into its existing business; the Company's ability to successfully transition its online banking and bill payment operations to CheckFree Corporation; possible fluctuations in value of the Company's investment in CheckFree Corporation; and the Company's ability to penetrate international markets and manage its international operations. Additional information on these and other risk factors is included elsewhere in this Form 10-K.

OVERVIEW

The Company experienced significant growth during the twelve months ended July 31, 1996. Fiscal 1996 net revenue increased 28% to $538.6 million as compared to $419.2 million for the twelve months ended July 31, 1995. Acquisitions occurring during the twelve months ended July 31, 1996 and 1995 and the ten months ended July 31, 1994 are described by transaction below. Due to the pending sale of Intuit Services Corporation (ISC), as described below and in Note 12 of Notes to Consolidated Financial Statements, the results for fiscal year 1996 have been

adjusted to account for ISC as discontinued operations. With respect to quarterly results, it should be noted that the Company's net revenue varies significantly by quarter due to seasonality in consumer buying patterns, particularly in sales of the personal and professional tax return preparation products, which mostly occur in the November through March time frame, as well as the timing of new and upgrade product releases.

The Company's earnings and stock price have been and may continue to be subject to significant volatility, particularly on a quarterly basis. The Company has previously experienced shortfalls in revenue and earnings from levels expected by securities analysts, which has had an immediate and significant adverse effect on the trading price of the Company's common stock. This may occur again in the future. Additionally, the Company participates in a highly dynamic industry, which often results in significant volatility of the Company's common stock price. In particular, the impact of, and investors' assessment of the impact of, the market's acceptance and adoption rate of electronic financial services, on the Company's business may result in significant increases in the volatility of the Company's stock price. In addition, the trend towards Internet-based products and services could have a material adverse effect on sales of the Company's products which may not be offset by sales of the Company's software products.

In September 1996, the Company announced three Internet-related strategic initiatives designed to accelerate the adoption of electronic financial data exchange and communication by individuals, small businesses and their financial service providers. First, the Company announced plans to "open" the architecture of its software products to financial service providers so that such providers can connect directly through the Internet to their customers who use Intuit products. Second, the Company announced that it would coordinate efforts with several third parties to develop a comprehensive framework for exchanging financial data over the Internet in an integrated collection of specifications and protocols called OpenExchange. Thirdly, the Company announced the signing of an agreement pursuant to which it plans to sell its banking and bill payment processing subsidiary, ISC, to CheckFree. See "Business - Internet Strategic Initiatives" and Note 12 of Notes to Consolidated Financial Statements for further discussion.

FISCAL YEAR CHANGE

Effective August 1, 1994, the Company changed its fiscal year end from September 30 to July 31 in order to better align its financial reporting cycle with the business cycles of its tax and finance software products. Consequently, the Company's audited consolidated financial statements included herein reflect the ten months ended July 31, 1994, and the twelve months ended July 31, 1995, and July 31, 1996. Unaudited financial information for the twelve months ended July 31, 1994 is presented below under "Results of Operations - Twelve Months Ended July 31, 1995 and 1994" for comparative purposes.

ACQUISITIONS AND DIVESTITURE

In December 1993, the Company completed its acquisition of ChipSoft, which was treated as a purchase for accounting purposes. The total purchase price of $306.4 million in common stock, stock options, and acquisition costs ($255.3 million net of tangible assets acquired) and approximately $11.0 million relating to the tax effecting of identified intangibles were allocated as follows: $150.5 million to in-process research and development, $33.5 million to intangible assets, and $82.3 million to goodwill.

In April 1994, the Company acquired certain assets of Best's professional tax preparation business for an initial purchase price of $6.5 million in cash. The purchase agreement calls for a cash "earnout" payment based on the amount of revenue derived by the Company from former Best customers and the number of Best customers who purchased the Company's professional tax products by April 1996. The Company is currently negotiating this payment with Best and believes the obligation is insignificant. Of the purchase price, $5.8 million was allocated to intangible assets.

In July 1994, the Company completed its acquisition of National Payment Clearinghouse, Inc., which subsequently changed its name to ISC, for consideration of $7.6 million in common stock and cash. ISC currently provides electronic banking back-end processing services, bill payment, stock quote retrieval services and access to Intuit's web site for consumers via their modems and personal computers. The acquisition was treated as a purchase for accounting purposes. Of the purchase price, $1.4 million was allocated to in-process research and development, $6.0 million to intangible assets, and $2.1 million to goodwill.

On September 16, 1996, the Company announced plans to sell ISC to CheckFree Corporation in exchange for 12.6 million shares of CheckFree common stock, approximately 23% of the resulting 54.0 million CheckFree shares outstanding. As of September 13, 1996, the CheckFree stock to be exchanged in the transaction was valued at approximately $227.6 million. The Company intends to account for its investment in CheckFree using the cost method of accounting. Accordingly, the Company plans to sell approximately two million shares of CheckFree acquired

in the transaction. Subject to regulatory and CheckFree stockholder approval, as well as other conditions, the transaction is expected to be finalized by early calendar year 1997. ISC's revenue accounted for less than 3% of Intuit's total net revenue in fiscal 1996. The Company is accounting for the sale of ISC as discontinued operations for fiscal year 1996. ISC's results in 1995 and 1994 were immaterial. See Note 12 of Notes to Consolidated Financial Statements.

In September 1994, the Company completed its acquisition of Parsons, which was treated as a purchase for accounting purposes. Under the terms of the agreement, the Company paid approximately $28.8 million in cash and issued approximately 1,800,000 shares of the Company's common stock to Parsons' stockholders at the date of the acquisition. In the first quarter of fiscal 1996, the Company paid an additional $2.7 million in cash as deferred consideration. The total purchase price of approximately $67.3 million which, in addition to the above amounts, included 138,038 shares of common stock to be paid for certain non-competition agreements, was allocated as follows: $44.0 million to in-process research and development, $14.0 million to intangible assets and $9.9 million to goodwill.

In June 1995, the Company completed its acquisition of PNI, a developer of technology to provide online investment research data. The acquisition, which was accounted for as a purchase, had an aggregate purchase price of approximately $10.4 million in common stock and acquisition costs. Of the purchase price, $8.5 million was allocated to in-process research and development, $183,000 to identified intangible assets and $166,000 to goodwill. The amount of the purchase price allocated to in-process research and development was charged to the Company's operations at the time of the acquisition. In addition to the in-process research and development charge, the Company incurred acquisition-related charges of $1.6 million in fiscal 1995 related to the termination of a conflicting license agreement.

In June 1995, the Company acquired certain assets of Mysterious Pursuit for consideration of approximately $1.1 million. Mysterious Pursuit, an Australian company, was the Company's outside developer of tax software for the Australian, German and United Kingdom markets. The purchase price of $1.1 million was allocated to identified intangible assets. Mysterious Pursuit's operations were discontinued during fiscal 1996.

In January 1996, the Company completed its acquisition of Milkyway, which was treated as a pooling of interests for accounting purposes. Milkyway is a provider of PC-based financial software in Japan. In addition to the issuance of 650,000 shares of common stock, the Company recorded acquisition related expenses of $0.6 million for legal and other professional fees.

In June 1996, the Company completed its acquisition of IIS, a developer of an Internet based system designed to allow consumers to obtain personalized insurance information from national insurance carriers via the World Wide Web. The acquisition, which was treated as a purchase for accounting purposes, had a purchase price of approximately $9.0 million. Under the terms of the agreement, the Company issued 169,181 shares of Intuit common stock and 3,255 options to purchase Intuit common stock to IIS stockholders at the date of acquisition. Approximately $8.0 million of in-process research and development was expensed.

Subsequent to year end, in September 1996 the Company completed its acquisition of GALT, a provider of mutual fund information on the Internet. The acquisition will be treated as a purchase for accounting purposes. Under the terms of the agreement, GALT's stockholders received a combination of common stock and stock options valued at approximately $9.0 million. The purchase price of approximately $9.0 million will be allocated to identified intangible assets and goodwill.

Consistent with the Company's test for internally developed software, for each of these acquisitions the Company determined the amounts allocated to developed and in-process research and development based on whether technological feasibility had been achieved and whether there was any alternative future use for the technology. Due to the absence of detailed program designs, evidence of technological feasibility was established through the existence of a completed working model at which point functions, features and technical performance requirements can be demonstrated. As of the respective dates of the acquisitions, the Company concluded that the in-process research and development had no alternative future use after taking into consideration the potential for usage of the software in different products, resale of the software and internal usage.

Acquisition-related costs reduced net income by approximately $97.7 million and $53.5 million for the twelve months ended July 31, 1995 and July 31, 1996, respectively, including charges in these periods of $52.5 million and $8.0 million, respectively, for purchased research and development. Assuming no additional acquisitions, other than those discussed above, and no impairment of value causing an acceleration of amortization, the net income effect of

future amortization, not including amortization related to the GALT acquisition, is anticipated to be approximately $18.4 million, $3.4 million, $1.2 million,

and $0.4 million for the years ended July 31, 1997 through 2000, respectively. Because of the high levels of non-cash amortization expense arising from the various acquisitions discussed above, the Company may report losses in future periods including the fiscal year ending July 31, 1997.

Although the Company believes the above transactions were in the best interests of the Company and its stockholders, there are significant risks associated with these transactions. The acquisitions have expanded the Company's size, product lines, personnel and geographic locations. The Company's ability to integrate and organize these new businesses and successfully manage its growth will necessitate improvements in its operational, financial and management information systems. Although the Company has taken steps to improve its internal processes, it has experienced significant operational difficulties in its order entry and shipping systems and in providing technical support to customers in the past, and there is no assurance that similar problems will not occur in the future or that they will not have a material adverse effect on the Company's results of operations. The divestiture of ISC, if consummated, will result in the elimination of the Company's direct participation in the online banking and bill payment processing business. If the divestiture of ISC to CheckFree is concluded, the Company's planned investment in the share of CheckFree common stock to be issued to the Company in that transaction could decrease in value due to market fluctuations and the success or failure of CheckFree. If such decline was determined to be other than temporary, charges to earnings would result. There is also a risk that the Company will be unable to divest the CheckFree common stock shares quickly because of contractual and legal restrictions on the sale of such shares and the relatively large percentage of proposed ownership of CheckFree common stock by the Company.

RESULTS OF OPERATIONS

Management believes that a comparison of the twelve months ended July 31, 1995 to the ten months ended July 31, 1994 is not meaningful because of the difference in the length of reported periods. Therefore, this discussion and analysis of results of operations compares the audited twelve-month period ended July 31, 1996 to the audited twelve-month period ended July 31, 1995, and the audited twelve-month period ended July 31, 1995 to the unaudited twelve-month period ended July 31, 1994. Due to the favorable timing of the acquisition of ChipSoft, the results for the twelve months ended July 31, 1994 include substantially all of ChipSoft's 1994 tax season revenue. However, ChipSoft's seasonally low revenue and high operating expenses for the period prior to December 13, 1993 are not reflected in the Company's reported results for the entire twelve months and, thus, the period is not representative of business results anticipated for the Company after the ChipSoft acquisition. Results of operations include Milkyway for all periods presented, but include other acquisitions only from their respective acquisition dates.

TWELVE MONTHS ENDED JULY 31, 1996 AND 1995

Set forth below are certain consolidated statement of operations data as a percentage of revenue for the twelve months ended July 31, 1996 and 1995:

<TABLE>
<CAPTION>

	TWELVE MONTHS ENDED JULY 31,			
	1995		1996	
(dollars in thousands)	Dollars	% of Revenue	Dollars	% of Revenue
<S>	<C>	<C>	<C>	<C>
Net revenue:				
Software	$ 360,032	85.9%	$ 462,972	86.0%
Supplies	59,128	14.1	75,636	14.0
	419,160	100.0	538,608	100.0
Costs and expenses:				
Cost of goods sold:				
Product	110,322	26.3	136,470	25.3
Amortization of purchased software and other	11,369	2.7	1,399	0.3
Customer service and technical support	75,113	17.9	106,872	19.8
Selling and marketing	109,382	26.1	142,319	26.4
Research and development	57,332	13.7	75,558	14.0
General and administrative	26,437	6.3	33,153	6.2
Charge for purchased research and development	52,471	12.5	8,043	1.5
Other acquisition costs, including amortization of goodwill and purchased intangibles	41,775	10.0	40,570	7.5
Total costs and expenses	484,201	115.5	544,384	101.0

Loss from operations	(65,041)	(15.5)	(5,776)	(1.1)
Microsoft merger termination fee, net	41,293	9.8	--	--
Interest and other income and expense, net	3,748	0.9	7,646	1.4
Income (loss) from continuing operations before income taxes	(20,000)	(4.8)	1,870	0.3
Provision for income taxes	24,296	5.8	16,225	3.0
Loss from continuing operations	(44,296)	(10.6)	(14,355)	(2.7)
Loss from operations of discontinued operations, net of income tax benefit of $3,725	--	--	(6,344)	(1.1)
Net loss	$ (44,296)	(10.6)%	$ (20,699)	(3.8)%

</TABLE>

NET REVENUE increased approximately 28% to $538.6 million for the twelve months ended July 31, 1996, compared to $419.2 million for the twelve months ended July 31, 1995. This increase resulted primarily from higher sales of both personal and professional versions of the Company's tax preparation products and, to a lesser extent, the release of new and upgraded versions of small business finance products such as QuickBooks 4.0, QuickBooks Pro and Kobanto in Japan, including "deluxe" and CD-ROM versions of certain products, which have higher average selling prices. Many of the Company's ProTax customers have also upgraded to higher priced Power Tax products, which contributed to the increase in net revenue over the prior year. In addition, net revenue from Parsons' operations increased to approximately $96.4 million in fiscal 1996 from $62.0 million in the period from September 27, 1994 (date of acquisition) to July 31, 1995. Unit sales of personal finance products (predominantly Quicken) increased in fiscal 1996 over fiscal 1995; however, since the majority of this increase resulted from higher volumes of OEM sales, which generate substantially lower per unit average selling prices, net revenue from these products remained flat in fiscal 1996 as compared to fiscal 1995. While the Company receives little revenue from these OEM sales in the short run, the Company believes this channel is strategically important because it allows the Company to acquire large numbers of new customers with the potential to generate future sales of software upgrades, electronic financial services and related software.

Also contributing to the increase in net revenue for fiscal 1996, as compared to fiscal 1995, was the introduction of additional international products, particularly in the UK, Canada and France. Net revenue from European operations was $20.2 million or 4% of net revenue in fiscal 1996, compared to $14.8 million or 4% of total net revenue in fiscal 1995. Net revenue from Asian operations (Milkyway) was $28.1 million or 5% of net revenue in fiscal 1996, compared to $23.4 million or 6% of net revenue in fiscal 1995. In April 1996, Milkyway released Kobanto, its first small business accounting software product for Windows. Although the Company did experience significant growth in its international operations, its German subsidiary had difficulty executing two critical product launches in the second quarter of fiscal 1996, resulting in late delivery of products to retail channels and excess inventory in the distribution channel. Because of this, net revenue generated by sales in Germany for fiscal 1996 was significantly lower than anticipated by the Company. There can be no assurance that sales of new versions of personal and small business finance products or international products will continue at the rate experienced in the past or that other such product launch difficulties will not be encountered in the future.

Software net revenue increased approximately 29% to $463.0 million for the twelve months ended July 31, 1996 from $360.0 million in the prior year, principally due to the increased product volumes and new product introductions discussed above.

Supplies net revenue increased by approximately 28% to $75.6 million for fiscal 1996, as compared with $59.1 million in the prior year, due to order increases in small business check, envelope and invoice products as the Company's customer base continues to grow. The gradual increase in upgrade sales as a percentage of total software revenue generally causes the growth of potential supplies customers to be slightly slower than the growth in software revenues. In fiscal 1997, supplies net revenue may be negatively impacted as some of the Company's software users may shift to electronic bill payment services. The Company is unable to quantify the effect, if any, of this potential shift on future net revenue.

Revenue is generally recognized at the time of shipment, net of allowances for estimated future returns and for excess quantities in distribution channels, provided that no significant vendor obligations exist and collections of accounts receivable are probable. Reserves are provided for quantities of current product versions that are considered excess, and for inventories of all previous versions of products at the time new product versions are introduced. Advance payments are recorded as deferred revenue until the products are shipped or services are provided. Rebate costs are provided at the time revenue is

recognized. The Company provides warranty reserves at the time revenue is recognized for the estimated cost of replacing defective products. There can be no assurance that the reserves established by the Company will be sufficient to cover future returns of product, warranty, and rebate obligations.

The software industry, including the Company, is selling increasingly through alternative channels, such as OEM, or "bundling" products for a single low price. While this strategy introduces new customers to products, it also significantly reduces average selling prices. The software industry, including the Company, has experienced significant platform shifts in the past, such as from DOS to Windows and, more recently, to Windows 95. There is increased competition on the Windows and Windows 95 platforms, including lower priced products and free promotional products that compete with the Company's software. In order to respond to these competitive pressures, the Company may use price reductions and/or other promotional offers which would negatively impact net revenue and income from operations. As platform shifts continue to occur, there are risks that competitors could introduce new products before the Company's products are available on a particular platform or that customers may not accept a platform that the Company has chosen or will choose to pursue. Further consolidation of the software industry or changes in the personal computer industry could lead to increased competition in innovation and pricing strategies. The Company cannot quantify how much these factors have affected or will affect its business. In addition, a number of the Company's competitors have greater financial resources than the Company, potentially giving them a competitive advantage.

Although the Company believes there are opportunities in international markets, there can be no assurance that the Company's products will be accepted in these markets. Furthermore, there can be no assurance that the Company's new or upgraded products will be accepted, will not be delayed or canceled, or will not contain errors or "bugs" that could affect the performance of the product or cause damage to a user's data. If any of these events occurs, the

Company may experience reduced net revenue, loss of market share, increased maintenance release costs and higher technical support costs.

COST OF GOODS SOLD decreased to approximately 26% of net revenue for the year ended July 31, 1996 versus 29% for the prior year. Decreased amortization of purchased software resulting from the Company's acquisitions accounted for the majority of this decline. Excluding acquisition-related amortization costs, cost of goods sold would have been 25% of net revenue for fiscal 1996 and 26% for fiscal 1995.

Software cost of goods sold, excluding acquisition-related amortization costs, was approximately 23% of software net revenue for the year ended July 31, 1996 versus 24% for the previous twelve-month period. Supplies cost of goods sold was approximately 42% of supplies net revenue for the year ended July 31, 1996 compared to 43% for the year ended July 31, 1995. The Company has negotiated a long-term contract on the pricing of checks and plans to continually take actions to reduce the materials cost of all of its supplies products. However, there can be no assurance that margin improvements will be achieved or that current margins will be sustained.

In March 1995, the Company announced the identification of some calculation errors in certain circumstances in the consumer versions of the TurboTax and MacInTax products. During the quarter ended January 31, 1995 the Company recorded an expense of $1.3 million to cover the estimated cost of the free revisions and other associated costs. During the quarter ended January 31, 1996, a different set of less serious calculation errors were identified, and actions were taken during the quarter to notify users and provide fixes, resulting in approximately $1.2 million in warranty and related costs. There can be no assurance that such bugs will be identified prior to shipment of products in the future. Such bugs could have a material adverse effect on the Company's results of operations.

OPERATING EXPENSES. During fiscal 1995, the Company experienced significant operational problems as a result of inadequacies in certain of its systems, procedures and controls. For example, during the quarter ended January 31, 1995 and the weeks following, the Company's direct order entry systems were unable to process all of the orders received by the Company on a timely basis, which resulted in a number of problems including adverse publicity, lost business and customer dissatisfaction. These operational problems affected technical support and customer service expenses, selling and marketing expenses, and cost of goods sold in fiscal 1995. As described above, the Company identified calculation errors in some of its 1995 and 1996 tax products. The Company has guaranteed calculations in its tax products and will pay any penalties and interest due the IRS as a result of the calculation errors. As of July 31, 1996, claims made for such errors have been insignificant; however, additional claims may be received in the future.

The Company is unable to quantify the effect, if any, on future revenues of the adverse publicity the Company received regarding its operational problems or the identification of bugs. The Company has taken steps to correct and mitigate

these problems; however, there can be no assurance that these or other problems will not occur in the future.

CUSTOMER SERVICE AND TECHNICAL SUPPORT costs were approximately 20% and 18% of net revenue, respectively, for the years ended July 31, 1996 and 1995. Customer service and technical support costs were higher during the year ended July 31, 1996, as compared to the prior year, partially due to a growing number of QuickBooks small business customers placing greater demands on customer support, and a significant increase in capacity, staffing, and training to improve service levels to address the problems encountered in fiscal 1995 discussed above. In addition, the Company has significantly increased spending in building customer and technical support capabilities to provide higher quality service to its electronic financial services customer base. During the second and third quarters of fiscal 1996, the Company invested in correcting operational problems that were causing its online service customers difficulty in connecting to network services. In addition, the year ended July 31, 1996 included technical support costs for Parsons for the full year, while the previous year included such costs for Parsons only from the acquisition date of September 27, 1994. Post-contract customer support costs are accrued at the time revenue is recognized, are included in customer service and technical support expenses and are not included in cost of goods sold.

The Company incurs a fixed base of support costs, which is augmented by seasonal staffing and third-party services during periods of seasonally higher sales. The Company previously offered customer service and technical support without charge. However, during fiscal 1996 the Company began charging QuickBooks customers for support. The Company will evaluate its decision to implement support fees and will consider adjusting its policies if there is significant unfavorable customer reaction. There can be no assurance that these policies will not have a material adverse effect on customer relations. See "Business - Customer Service and Support" for a discussion of risks associated with charging customers for support.

As discussed above, the Company received a large volume of customer calls in the period from January through March 1995 regarding shipping delays and calculation errors experienced in that period. Many customers called to inquire about their orders, resulting in overloaded phone lines and long hold times. The Company has significantly increased its capacity in this area, which has resulted in higher costs. However, even with the increased capacity, there can be no assurance that such delays and hold times will not occur in the future.

SELLING AND MARKETING expenses remained constant at approximately 26% of net revenue for the years ended July 31, 1996 and 1995. Selling and marketing costs increased in absolute dollars primarily as a result of new product launches, concentrated marketing efforts to support business initiatives for electronic financial services, and continued efforts to expand international market penetration, particularly in the United Kingdom, Germany, Canada, Japan, and France. The year ended July 31, 1996 included Parsons' sales and marketing costs for the full year while the year ended July 31, 1995, included such costs for Parsons only from the acquisition date of September 27, 1994. The Company expects selling and marketing expenses to continue to increase in the future as the Company releases and promotes new products and expands internationally; however, there can be no assurance that increased marketing spending will result in increased net revenue.

RESEARCH AND DEVELOPMENT expenses remained constant at approximately 14% of net revenue for the years ended July 31, 1996 and 1995. However, these expenses increased in absolute dollars in fiscal 1996 as the Company incurred significant research and development costs related to integration of Internet access, and Quicken Financial Network into its products. The Company expects to experience significant growth of research and development expenses for development efforts related to new and existing products and services, including foreign versions of its products.

Because online financial services is an emerging market with different competitors than the Company's core product offerings, there can be no assurance that the Company's products and services will be accepted in the market, will not be delayed or will compete effectively with competitors' products and services.

GENERAL AND ADMINISTRATIVE expenses were 6% of net revenue for each of the years ended July 31, 1996 and 1995. General and administrative expenses increased in absolute dollars by $6.7 million in fiscal 1996 due to merger expenses related to Milkyway and additional personnel and infrastructure to support the Company's growth. In addition, bad debt expense increased by approximately $2.6 million, primarily resulting from the increase in net revenue and higher collections risks.

MICROSOFT TERMINATION FEE. On May 20, 1995, the Company announced that its merger agreement with Microsoft had been terminated. The proposed merger had been opposed in a lawsuit brought by the U.S. Department of Justice, and the two companies were unable to agree to pursue the litigation. In the fourth quarter of fiscal 1995, the Company received a $46.3 million termination fee from Microsoft ($41.3 million net of related expenses). The after-tax benefit to the

Company of this termination payment was approximately $25.6 million.

INTEREST AND OTHER INCOME AND EXPENSE, NET was approximately $7.6 million and $3.7 million for the years ended July 31, 1996 and 1995, respectively. The increase in net interest income in fiscal 1996 was primarily due to net proceeds of $80.1 million resulting from the Company's follow-on public offering and the Microsoft termination fee of $41.3 million, both of which were received in the fourth quarter of fiscal 1995, and to the increase in interest rates during fiscal 1996 as compared to fiscal 1995. Interest expense increased by $73,000 in the year ended July 31, 1996, as compared to the prior year, as a result of a loan entered into in fiscal 1995 for a new support facility built by the Company in Rio Rancho, New Mexico.

INCOME TAXES. For the year ended July 31, 1996, the Company recorded an income tax provision of $16.2 million for continued operations on pre-tax income of $1.9 million and a tax benefit of $3.7 million for discontinued operations on a pre-tax loss of $10.1 million. The tax provision on the total loss arose because of the non-deductible status of both the in-process research and development charges and the amortization of goodwill. There was no valuation allowance for net deferred tax assets of $23.6 million at July 31, 1996, based on management's assessment that current levels of anticipated taxable income will be sufficient to realize the net deferred tax assets.

TWELVE MONTHS ENDED JULY 31, 1995 AND 1994

Set forth below are certain consolidated statement of operations data as a percentage of revenue for the twelve months ended July 31, 1995 and 1994:

<TABLE>
<CAPTION>

	TWELVE MONTHS ENDED JULY 31,			
	1994		1995	
	(unaudited)			
(dollars in thousands)	Dollars	% of Revenue	Dollars	% of Revenue
<S>	<C>	<C>	<C>	<C>
Net revenue:				
Software	$ 190,920	79.7%	$ 360,032	85.9%
Supplies	48,778	20.3	59,128	14.1
	239,698	100.0	419,160	100.0
Costs and expenses:				
Cost of goods sold:				
Product	63,080	26.3	110,322	26.3
Amortization of purchased software and other	18,558	7.7	11,369	2.7
Customer service and technical support	40,876	17.1	75,113	17.9
Selling and marketing	59,069	24.6	109,382	26.1
Research and development	28,657	12.0	57,332	13.7
General and administrative	14,834	6.2	26,437	6.3
Charge for purchased research and development	151,888	63.4	52,471	12.5
Other acquisition costs, including amortization of goodwill and purchased intangibles	40,412	16.9	41,775	10.0
Total costs and expenses	417,374	174.2	484,201	115.5
Loss from operations	(177,676)	(74.2)	(65,041)	(15.5)
Microsoft merger termination fee, net	--	--	41,293	9.8
Interest and other income and expense, net	1,329	0.6	3,748	0.9
Loss before income taxes	(176,347)	(73.6)	(20,000)	(4.8)
Provision for income taxes	4,558	1.9	24,296	5.8
Net loss	$(180,905)	(75.5)%	$ (44,296)	(10.6)%

</TABLE>

NET REVENUE increased approximately 75% to $419.2 million for the twelve months ended July 31, 1995, compared to $239.7 million for the twelve months ended July 31, 1994. The increase resulted in part from the inclusion of approximately $62.0 million in net revenue from Parsons' operations subsequent to September 27, 1994, and net revenue from ChipSoft's operations which increased to $104.5 million for the twelve months ended July 31, 1995, compared to $67.8 million from the date of the ChipSoft acquisition to July 31, 1994. Net revenue from European operations was 3% and 4% of total net revenue in 1994 and 1995, respectively. Net revenue from Asian operations was 7% and 6% of total net revenue in 1994 and 1995, respectively. Asian operations were the result of the

Milkyway merger in January 1996. This was accounted for as a pooling of interests and, therefore, all reported periods have been restated to include Milkyway.

Software net revenue increased approximately 89% to $360.0 million for the twelve months ended July 31, 1995 from $190.9 million in the same period of the prior year, principally due to increased volumes, new product introductions and acquisitions. The release of new and upgraded finance products, including "deluxe" and CD-ROM versions of certain products, resulted in greater unit sales. Increases in average selling prices from "deluxe" products were partially offset by lower average selling prices on certain products sold through the OEM channel and a greater proportion of upgrade sales as compared with new product sales as the Company's core product lines mature.

Supplies net revenue increased approximately 21% to $59.1 million for the fiscal 1995 period as compared with $48.8 million in the prior year due to order increases in small business check, envelope and invoice products as the Company's customer base continued to grow.

COST OF GOODS SOLD decreased to approximately 29% of net revenue for the twelve months ended July 31, 1995 versus 34% for the prior twelve-month period. Decreased amortization of purchased software resulting from the Company's acquisitions accounted for the majority of this decline. Excluding acquisition-related amortization costs, cost of goods sold would have been approximately 26% of net revenue for both of the twelve-month periods ended July 31, 1995 and 1994.

Software cost of goods sold, excluding acquisition-related amortization costs, increased to approximately 24% of software net revenue for the twelve months ended July 31, 1995, as compared to approximately 21% in the twelve months ended July 31, 1994. Margin declines resulted from product and freight costs associated with expediting delayed orders and maintenance releases for consumer tax products and upgrade revenues. In addition, Parsons' lower priced product offerings included for the period after September 29, 1994 had higher cost-to-net-revenue ratios than other Intuit products. The Company achieved supplies margin improvements from a shift in product mix to business supplies and a reduction in materials costs, including a one-time price concession on previously purchased materials in the first quarter of fiscal 1995.

OPERATING EXPENSES. As previously discussed, during fiscal 1995, the Company experienced significant operational problems as a result of inadequacies in certain of its systems, procedures and controls. These operational problems affected technical support and customer service expenses, selling and marketing expenses, and cost of goods sold in fiscal 1995.

CUSTOMER SERVICE AND TECHNICAL SUPPORT costs were approximately 18% and 17% of net revenue, respectively, for the twelve-month periods ended July 31, 1995 and 1994. Customer service and technical support costs were higher during the twelve months ended July 31, 1995, as compared to the prior twelve month period, primarily as a result of increased customer calls regarding both the shipping delays in January 1995, discussed above, and tax product calculation errors. In addition, due to the favorable timing of the ChipSoft acquisition, ChipSoft's seasonally low revenues and high costs of operations from August 1 through December 12, 1993 are not reflected in the Company's results for the twelve months ended July 31, 1994. During fiscal 1995, the Company substantially completed the relocation of certain support functions to lower cost locations; however, there can be no assurance that future cost savings will be achieved. Post-contract customer support costs are accrued at the time revenue is recognized, are included in customer service and technical support expenses and are not included in cost of goods sold.

SELLING AND MARKETING expenses increased to approximately 26% of net revenue in fiscal 1995 compared to approximately 25% in fiscal 1994. Selling and marketing costs increased both in absolute dollars and as a percentage of net revenue primarily as a result of the inclusion of Parsons' operations from September 27, 1994, new product launches and continued efforts to expand international market penetration. In addition, because of the seasonality of the tax business and the timing of the 1993 ChipSoft acquisition, the Company experienced increased costs during the first four months of fiscal 1995 without a corresponding increase in net revenue during that period.

RESEARCH AND DEVELOPMENT expenses increased to 14% of net revenue for the twelve months ended July 31, 1995 from 12% of net revenue in the twelve months ended July 31, 1994. The significant increase, both in absolute dollars and as a percentage of revenue, was due to development efforts on new and existing products, including

international versions of products, and investment in electronic banking service features. In addition, research and development expenses include Parsons' operations from September 27, 1994 and ChipSoft's operations from December 13, 1993. Because of the seasonality of the ChipSoft business, expenses are typically higher in the October quarter without corresponding net revenue during the same period. Because of the timing of the ChipSoft acquisition, the twelve

months ended July 31, 1994 included the seasonally high net revenue of ChipSoft, but did not include its operating expenses prior to December 13, 1993.

GENERAL AND ADMINISTRATIVE expenses were 6% of net revenue during each of the twelve-month periods ended July 31, 1995 and 1994. However, general and administrative expenses increased in absolute dollars by $11.6 million in fiscal 1995 because of the inclusion of Parsons' and ChipSoft's operations from the dates of their respective acquisitions, as well as additional senior management personnel and infrastructure to support revenue growth. In particular, the Company significantly increased administrative support in its international offices, and increased its in-house legal and finance departments domestically. In addition, bad debt expense increased by approximately $1.4 million in relation to the increase in net revenue.

INTEREST AND OTHER INCOME AND EXPENSE, NET was $3.7 million and $1.3 million for the twelve months ended July 31, 1995 and 1994, respectively. The increase in net interest income was the result of higher cash balances arising from net proceeds of $80.1 million from a follow-on public offering of 2,200,000 shares of the Company's common stock in June 1995, the receipt of a $46.3 million ($25.6 million net of related expenses and income taxes) merger termination fee from Microsoft Corporation in May 1995 and cash generated from operations, partially offset by $28.8 million in cash paid for Parsons in September 1994. Interest expense increased by $203,237 in the twelve months ended July 31, 1995 as a result of a loan entered into in fiscal 1995 for a new support facility built by the Company.

INCOME TAXES. For the year ended July 31, 1995, the Company recorded an income tax provision of $24.3 million on a pretax loss of $20.0 million. The tax provision on the operating loss arose because of the non-deductible status of both the in-process research and development charges and goodwill amortization. There was no valuation allowance for net deferred tax assets of $21.6 million at July 31, 1995 based on management's assessment that current levels of taxable income would be sufficient to realize the net deferred tax assets.

CERTAIN FACTORS THAT MAY AFFECT FUTURE RESULTS

The Company's business has experienced, and is expected to continue to experience, substantial seasonality, due principally to the timing of the tax return preparation season, timing of production launches for new or updated versions of products and, to a lesser extent, consumer software buying patterns. Sales of the Company's tax products are concentrated in the period from November, when certain professional tax products are released, through March, when consumers purchase the products in advance of the April 15 tax return filing deadline. Sales of the Company's Quicken products are typically strongest during the year end holiday buying season. As a result of these seasonal patterns, the Company generated significant income from operations before acquisition-related charges during its fiscal quarter ended January 31, 1996, with the quarter ended April 30, 1996 following as the second largest revenue generating quarter of the fiscal year. Because of these seasonal factors and a significantly increased level of operating expenses to support the Company's expanded infrastructure and development efforts, the Company incurred significant losses from operations before acquisition-related charges during its fiscal quarters ended July 31, 1995 and October 31, 1995. The Company expects to continue to report seasonal losses before acquisition-related costs and amortization in the July and October quarters of future fiscal years.

The Company's quarterly operating results have varied in the past, and are likely to vary in the future, significantly based upon a number of factors. In addition to seasonal factors, the Company's quarterly operating results can be affected significantly by the number and timing of new product or version releases by the Company, as well as a number of other factors including the timing of product announcements or introductions by the Company's competitors, discretionary marketing and promotional expenditures, research and development expenditures and a variety of non-recurring events such as acquisitions. Products are generally shipped as orders are received and, consequently, quarterly sales and operating results depend primarily on the volume and timing of orders received during the quarter, which are difficult to forecast. A significant portion of the Company's operating expenses are

relatively fixed and planned expenditures are based on sales forecasts. Thus, if net revenue levels are below expectations, operating results are likely to be materially adversely affected. In particular, net income, if any, may be disproportionately affected because only a small portion of the Company's expenses vary with revenue in the short term. In response to competition, the Company may also choose to reduce prices or increase spending, which may adversely affect the Company's operating results and financial condition. Although the Company has experienced significant growth in revenue in recent quarters, there can be no assurance that the Company will sustain such revenue growth in the future or be profitable in any future period. Due to the foregoing factors, the Company believes that period-to-period comparisons of its results of operations are not necessarily meaningful and should not be relied upon as indications of future performance.

The markets in which the Company competes are characterized by ongoing technological developments, frequent new product announcements and introductions, evolving industry standards, changing customer requirements and new competitors. The introduction of products and services embodying new technologies and the emergence of new industry standards and practices, including changes in tax laws, regulations or procedures, can render existing products obsolete and unmarketable. The Company's future success depends upon its ability to enhance its existing products and services, develop new products and services that address the changing requirements of its customers, develop additional products and services for new or other platforms and environments (such as the Internet) and anticipate or respond to technological advances, emerging industry standards and practices and changes in tax laws, regulations and procedures in a timely, cost-effective manner. In response to major industry changes reflected by the increasing popularity of the Internet among consumers and financial service providers, the Company has expanded its Internet strategy. See "Overview - Internet Strategic Initiatives." There can be no assurance that such initiatives can be successfully implemented or that they will result in increased revenue or profits for the Company. Conversely, there can be no assurance that consumers' use of the Internet, particularly for commercial transactions, will continue to increase as rapidly as it has during the past few years.

LIQUIDITY AND CAPITAL RESOURCES

At July 31, 1996, the Company had $198.0 million in cash and short-term investments, a $0.2 million increase from the July 31, 1995 balance of $197.8 million.

FISCAL 1996. Operating activities provided $61.5 million in cash during the year ended July 31, 1996, principally from $55.7 million generated from net income after adjustment for charges for purchased research and development, amortization of goodwill and other purchased intangibles, and depreciation. The Company's investing activities during fiscal 1996 consisted principally of $69.3 million in purchases of property and equipment and net purchases of short-term investments of $32.0 million. The Company's financing activities during fiscal 1996 provided $9.7 million due primarily to proceeds from the exercise of stock options.

FISCAL 1995. Operating activities provided $77.5 million in cash during the year ended July 31, 1995, principally from $72.6 million generated from net income after adjustment for charges for purchased research and development, amortization of goodwill and other purchased intangibles, depreciation and a $25.6 million (net of related expenses and income taxes) merger termination fee from Microsoft. The Company's investing activities during fiscal 1995 consisted principally of $59.4 million in purchases of property and equipment and payments for acquisitions, including $28.8 million in cash paid as partial consideration for Parsons in September 1994. In addition, the Company had net purchases of short-term investments of $57.1 million. The Company's financing activities during fiscal 1995 provided $91.5 million due primarily to $80.1 million in proceeds from a follow-on public offering of 2,200,000 shares of the Company's common stock in June 1995, and $6.9 million from stock option exercises.

The Company derives significant portions of its revenue from certain distributors and resellers. The Company performs credit evaluations of its customers and to date has not experienced any significant losses. However, bankruptcy of a distributor or retailer could materially adversely affect the Company's future revenue streams for a period of time.

The Company enters into leases for facilities in the normal course of its business. Refer to Note 4 of Notes to Consolidated Financial Statements for a summary of these commitments. The Company has no other significant expenditure commitments, although additional cash may be used to acquire technology through purchases and strategic acquisitions.

Due to the seasonal nature of its businesses, the Company generally earns more than 100% of its operating income before acquisition-related charges during the January and April quarters. The Company believes its cash and short-term investments will be sufficient to meet the Company's anticipated seasonal working capital and capital expenditure requirements for at least the next twelve months.

ITEM 8
FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA

1. INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

The following financial statements are filed as part of this Report:

<TABLE>
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	PAGE

<S> <C>

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2. INDEX TO FINANCIAL STATEMENT SCHEDULES

The following financial statement schedule of Intuit Inc. is filed as part of this Report and should be read in conjunction with the Consolidated Financial Statements of Intuit Inc.:

<TABLE>
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</TABLE>

Other schedules are not filed due to being immaterial or not applicable.

REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

The Board of Directors and Stockholders of Intuit Inc.

We have audited the accompanying consolidated balance sheets of Intuit Inc. as of July 31, 1995 and 1996, and the related consolidated statements of operations, stockholders' equity and cash flows for the ten months ended July 31, 1994 and the twelve months ended July 31, 1995 and July 31, 1996. Our audits also included the financial statement schedule listed in the Index at Item 14(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Intuit Inc. at July 31, 1995 and 1996, and the consolidated results of its operations and its cash flows for the ten months ended July 31, 1994 and the twelve months ended July 31, 1995 and July 31, 1996, in conformity with generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

ERNST & YOUNG LLP

Palo Alto, California

September 6, 1996,
except for Note 12, as to which the date is
September 18, 1996

INTUIT INC.

CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

(in thousands, except par value)	JULY 31, 1995	JULY 31, 1996
<S>	<C>	<C>
ASSETS		
Current assets:		
Cash and cash equivalents	$ 76,298	$ 44,584
Short-term investments	121,477	153,434
Accounts receivable, net of allowance for doubtful accounts of $2,408 and $4,951, respectively	38,975	49,473
Inventories	6,576	4,448
Prepaid expenses	4,416	9,269
Deferred income taxes	23,785	19,205
Total current assets	271,527	280,413
Property and equipment, net	49,877	95,611
Purchased intangibles	28,267	16,449
Goodwill	46,111	15,194
Long-term deferred income tax asset	--	6,892
Other assets	2,823	3,461
Total assets	$ 398,605	$ 418,020
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 21,507	$ 33,972
Accrued compensation and related liabilities	15,426	15,473
Deferred revenue	9,251	18,974
Income taxes payable	9,607	--
Other accrued liabilities	51,455	42,270
Total current liabilities	107,246	110,689
Deferred income taxes	2,190	2,513
Long-term notes payable	8,770	5,583
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.01 par value Authorized -- 3,000 shares Issued and outstanding -- none	--	--
Common stock, $0.01 par value Authorized -- 250,000 shares Issued and outstanding -- 44,517 and 45,807 shares, respectively	445	458
Additional paid-in capital	490,698	530,818
Deferred compensation	(30)	(1)
Cumulative translation adjustment and other	126	(501)
Accumulated deficit	(210,840)	(231,539)
Total stockholders' equity	280,399	299,235
Total liabilities and stockholders' equity	$ 398,605	$ 418,020

</TABLE>

See accompanying notes.

INTUIT INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

<TABLE>
<CAPTION>

	TEN MONTHS ENDED JULY 31,	TWELVE MONTHS ENDED JULY 31,	
	1994	1995	1996

(in thousands, except per share data)			
<S>	<C>	<C>	<C>
Net revenue	$ 210,376	$ 419,160	$ 538,608
Costs and expenses:			
Cost of goods sold:			
Product	55,151	110,322	136,470
Amortization of purchased software and other	18,558	11,369	1,399
Customer service and technical support	36,664	75,113	106,872
Selling and marketing	51,381	109,382	142,319
Research and development	26,125	57,332	75,558
General and administrative	12,861	26,437	33,153
Charge for purchased research and development	151,888	52,471	8,043
Other acquisition costs	20,434	1,600	778
Amortization of goodwill and purchased intangibles	19,978	40,175	39,792
Total costs and expenses	393,040	484,201	544,384
Loss from operations	(182,664)	(65,041)	(5,776)
Microsoft merger termination fee, net	--	41,293	--
Interest and other income and expense, net	1,171	3,748	7,646
Income (loss) from continuing operations before income taxes	(181,493)	(20,000)	1,870
Provision for income taxes	2,481	24,296	16,225
Loss from continuing operations	(183,974)	(44,296)	(14,355)
Loss from operations of discontinued operations, net of income tax benefit of $3,725	--	--	(6,344)
Net loss	$(183,974)	$ (44,296)	$ (20,699)
Loss per share from continuing operations	$ (5.34)	$ (1.07)	$ (0.32)
Loss per share from discontinued operations	--	--	(0.14)
Net loss per share	$ (5.34)	$ (1.07)	$ (0.46)
Shares used in computing net loss per share	34,454	41,411	45,149

</TABLE>

See accompanying notes.

INTUIT INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

<TABLE>
<CAPTION>

(dollars in thousands)	Common Stock Shares	Common Stock Amount	Additional Paid In Capital	Deferred Compensation	Cumulative Translation Adjustment and Other
<S>	<C>	<C>	<C>	<C>	<C>
Balance at September 30, 1993	23,060,040	$ 118	$ 37,703	$ (100)	$ (251)
Stock dividend shares canceled	--	--	(4)	--	--
Issuance of common stock pursuant to ChipSoft merger and ISC acquisition	14,887,522	74	302,019	--	--
Issuance of common stock upon exercise of options	1,173,950	6	1,463	--	--
Tax benefit from option transactions	--	--	9,281	--	--
Amortization of deferred compensation	--	--	--	37	--
Translation adjustment	--	--	--	--	70
Net loss	--	--	--	--	--

Balance at July 31, 1994	39,121,512	198	350,462	(63)	(181)
Issuance of common stock pursuant to Parsons Technology Inc. acquisition	1,799,464	9	33,022	--	--
Issuance of common stock pursuant to Personal News, Inc. acquisition	216,982	1	7,202	--	--
Sale of common stock pursuant to secondary offering, net of issuance costs of $4,582	2,200,000	11	80,107	--	--
Issuance of common stock upon exercise of options	1,178,950	6	6,908	--	--
Stock split	--	220	(220)	--	--
Tax benefit from option transactions	--	--	13,217	--	--
Amortization of deferred compensation	--	--	--	33	--
Translation adjustment and other	--	--	--	--	307
Net loss	--	--	--	--	--
Balance at July 31, 1995	44,516,908	445	490,698	(30)	126
Issuance of common stock pursuant to IIS acquisition	169,181	2	8,431	--	--
Issuance of common stock upon exercise of options	1,120,847	11	12,824	--	--
Tax benefit from option transactions	--	--	18,865	--	--
Amortization of deferred compensation	--	--	--	29	--
Translation adjustment and other	--	--	--	--	(627)
Net loss	--	--	--	--	--
Balance at July 31, 1996	45,806,936	$ 458	$ 530,818	$ (1)	$ (501)

<CAPTION>

(dollars in thousands)	Earnings (Accumulated Deficit)	Total Stockholders' Equity
<S>	<C>	<C>
Balance at September 30, 1993	$ 17,426	$ 54,896
Stock dividend shares canceled	4	--
Issuance of common stock pursuant to ChipSoft merger and ISC acquisition	--	302,093
Issuance of common stock upon exercise of options	--	1,469
Tax benefit from option transactions	--	9,281
Amortization of deferred compensation	--	37
Translation adjustment	--	70
Net loss	(183,974)	(183,974)
Balance at July 31, 1994	(166,544)	183,872
Issuance of common stock pursuant to Parsons Technology Inc. acquisition	--	33,031
Issuance of common stock pursuant to Personal News, Inc. acquisition	--	7,203
Sale of common stock pursuant to		

secondary offering, net of issuance costs of $4,582	--	80,118
Issuance of common stock upon exercise of options	--	6,914
Stock split	--	--
Tax benefit from option transactions	--	13,217
Amortization of deferred compensation	--	33
Translation adjustment and other	--	307
Net loss	(44,296)	(44,296)
Balance at July 31, 1995	(210,840)	280,399
Issuance of common stock pursuant to IIS acquisition	--	8,433
Issuance of common stock upon exercise of options	--	12,835
Tax benefit from option transactions	--	18,865
Amortization of deferred compensation	--	29
Translation adjustment and other	--	(627)
Net loss	(20,699)	(20,699)
Balance at July 31, 1996	$ (231,539)	$ 299,235

</TABLE>

See accompanying notes.

INTUIT INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS

<TABLE>
<CAPTION>

(in thousands)	TEN MONTHS ENDED JULY 31, 1994	TWELVE MONTHS ENDED JULY 31, 1995	1996
<S>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	$(183,974)	$ (44,296)	$ (20,699)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Charge for purchased research and development	151,888	52,471	8,043
Amortization of goodwill and purchased intangibles	38,536	51,544	44,502
Depreciation	5,396	12,890	23,853
Net income before charges for purchased research and development, amortization and depreciation	11,846	72,609	55,699
Changes in assets and liabilities:			
Accounts receivable	20,216	(23,781)	(10,498)
Inventories	2,962	(3,108)	2,128
Prepaid expenses	(892)	4,269	(4,817)
Deferred income tax assets and liabilities	(9,479)	(16,536)	(1,989)
Accounts payable	(2,546)	4,543	12,281
Accrued compensation and related liabilities	3,335	6,010	47
Deferred revenue	(9,324)	118	9,723
Accrued acquisition liabilities	6,772	(5,074)	(5,733)
Other accrued liabilities	(11,822)	15,586	(4,624)
Income taxes payable	(4,431)	22,842	9,258
Net cash provided by operating activities	6,637	77,478	61,475
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	(11,779)	(33,087)	(69,321)
Payment for acquisitions, net of cash acquired	(413)	(26,323)	40
(Increase) decrease in other assets	1,173	1,024	(1,628)
Purchase of short-term investments	(72,571)	(144,651)	(197,003)
Liquidation and maturity of short-term investments	86,106	87,515	165,046
Net cash provided by (used in) investment activities	2,516	(115,522)	(102,866)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of long-term debt	3084	5,211	--
Principal payments on long-term debt	--	(727)	(3,187)

Decrease in other liabilities	(615)	--	--
Net proceeds from issuance of common stock	1,469	87,015	12,864
Net cash provided by financing activities	3,938	91,499	9,677
Net increase (decrease) in cash and cash equivalents	13,091	53,455	(31,714)
Cash and cash equivalents at beginning of period	9,752	22,843	76,298
Cash and cash equivalents at end of period	$ 22,843	$ 76,298	$ 44,584
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Interest paid	$ 10	$ 232	$ 305
Income taxes paid	$ 8,870	$ 14,468	$ 5,791

</TABLE>

See accompanying notes.

INTUIT INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company

Intuit Inc. ("Intuit" or the "Company") is a leading developer of personal finance, small business accounting, and tax preparation software. The Company develops, markets, and supports software products and services that enable individuals, professionals, and small businesses to automate commonly performed financial tasks and better organize, understand, manage, and plan their financial lives. Principal products include personal and small business financial software, personal and corporate tax software, online banking and bill payment software and services, and supplies such as invoice forms and checks. The Company markets its products through distributors and retailers and by direct sales to OEMs and individual users. The Company's customers are located primarily in North America, Europe, and Asia.

Principles of Consolidation and Fiscal Year Change

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated. Effective August 1, 1994, the Company changed its fiscal year end from September 30 to July 31.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant estimates are used in determining the collectibility of accounts receivable, reserves for returns and exchanges and in assessing the carrying value of goodwill and purchased intangibles.
Actual results could differ from those estimates.

Net Revenue

Revenue is generally recognized at the time of shipment, net of allowances for estimated future returns and for excess quantities in distribution channels, provided that no significant vendor obligations exist and collections of accounts receivable are probable. Reserves are provided for quantities of current product versions that are considered excess and for inventories of all previous versions of products at the time new product versions are introduced. Advance payments are recorded as deferred revenue until the products are shipped or services are provided. Rebate costs are provided at the time revenue is recognized. The Company provides warranty reserves at the time revenue is recognized for the estimated cost of replacing defective products.

Research and Development

Research and development costs incurred to establish the technological feasibility of computer software products are charged to operations as incurred.

Customer Service and Technical Support

Customer service and technical support costs include order processing, customer inquiries and telephone assistance. The costs of post-contract customer support are included in customer service and technical support expenses and are not included in cost of goods sold.

Advertising

Advertising costs are expensed as incurred. Advertising expense for the ten months ended July 31, 1994 and the twelve months ended July 31, 1995 and July 31, 1996 was approximately $9.1 million, $18.4 million and $21.0 million, respectively.

Cash Equivalents and Short-Term Investments

The Company considers all highly liquid investments purchased with a maturity of three months or less at date of acquisition to be cash equivalents. The available-for-sale securities are carried at amortized cost which approximates fair value. For the purpose of determining gross realized gains and losses, the cost of securities sold is based on specific identification. The following is a summary of the estimated fair value of available-for-sale securities at July 31, 1995 and 1996:

<TABLE>
<CAPTION>

(in thousands)	1995	1996
<S>	<C>	<C>
Certificates of deposit	$ 4,171	$ 10,003
Corporate notes	--	15,875
Money market funds	--	10,767
Municipal bonds	82,842	77,487
Commercial paper	32,546	13,866
U.S. Government securities	5,954	51,288
	$125,513	$179,286

</TABLE>

The estimated fair value of available-for-sale securities by contractual maturity at July 31, 1995 and 1996 is as follows:

<TABLE>
<CAPTION>

(in thousands)	1995	1996
<S>	<C>	<C>
Due within one year	$109,129	$169,573
Due after one year	16,384	9,713
	$125,513	$179,286

</TABLE>

Both gross unrealized gains and losses as of July 31, 1995 and 1996, and realized gains and losses on sales of each type of security for the years ended July 31, 1995 and 1996, were immaterial.

Total cash, cash equivalents and short-term investments at July 31, 1995 and 1996 were $197,775 and $198,018, respectively.

Inventories

Inventories are stated at the lower of cost (first-in, first-out) or market and consist primarily of materials used in software products and related supplies and packaging materials.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets which range from three to eight years. Leasehold improvements are amortized using the straight-line method over the lesser of the estimated useful lives or remaining lease terms.

Property and equipment consist of:

<TABLE>
<CAPTION>

	JULY 31,	JULY 31,

(in thousands)	1995	1996
Machinery and equipment	$ 55,991	$ 97,300
Furniture and fixtures	9,315	17,173
Leasehold improvements	5,792	18,634
Land and buildings	8,241	12,588
	79,339	145,695
Less accumulated depreciation and amortization	(29,462)	(50,084)
	$ 49,877	$ 95,611

Goodwill and Intangible Assets

The excess cost over the fair value of net assets acquired (goodwill) is generally amortized on a straight-line basis over periods generally not exceeding three years. The cost of identified intangibles is generally amortized on a straight-line basis over periods from 1 to 10 years. The carrying value of goodwill and intangible assets is reviewed on a regular basis for the existence of facts or circumstances, both internally and externally, that may suggest impairment. To date no such impairment has been indicated. Should there be an impairment in the future, the Company will measure the amount of the impairment based on undiscounted expected future cash flows from the impaired assets. The cash flow estimates that will be used will contain management's best estimates, using appropriate and customary assumptions and projections at the time.

(in thousands)	LIFE IN YEARS	NET BALANCE AT JULY 31, 1995	NET BALANCE AT JULY 31, 1996
Goodwill	3	$46,111	$15,194
Customer lists	3-5	13,286	6,952
Covenant not to complete	4-5	6,058	4,248
Purchased technology	1-5	3,028	857
Other intangibles	1-10	5,895	4,392

Other intangibles include items such as trade names, logos, and other identified intangible assets. The intangible asset balances presented above are net of total accumulated amortization of $80.6 million and $125.1 million at July 31, 1995 and 1996, respectively.

Concentration of Credit Risk

The Company's product revenues are concentrated in the personal computer software industry which is highly competitive and rapidly changing. Significant technological changes in the industry or customer requirements, or the emergence of competitive products with new capabilities or technologies, could adversely affect the Company's operating results.

Financial investments that potentially subject the Company to concentration of credit risk consist principally of short-term investments and trade accounts receivable. The Company's investment portfolio is diversified and generally consists of short-term investment grade securities. The credit risk in the Company's accounts receivable is mitigated by the fact that the Company performs ongoing credit evaluations of its customers' financial condition and that accounts receivable are primarily derived from customers in North America. Generally, no collateral is required. The Company maintains reserves for estimated credit losses and such losses have historically been within management's expectations.

Loss Per Share

Loss per share has been computed using the weighted average number of common shares outstanding during each period. As discussed in Note 5, all share and per share data in the Financial Statements and notes thereto have been adjusted retroactively to give effect to the Company's two-for-one stock split in August 1995.

Foreign Currency Translation

Gains and losses from the translation of foreign subsidiaries' financial statements are reported as a separate component of stockholders' equity. Net gains and losses resulting from foreign exchange transactions were immaterial in

all periods presented.

Recent Pronouncements

During March 1995, the Financial Accounting Standards Board issued Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS No. 121"), which requires the review for impairment of long-lived assets, certain identifiable intangibles and goodwill related to those assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In certain situations, an impairment loss would be recognized. The Company does not believe that adoption of SFAS No. 121, which will become effective for the Company's 1997 fiscal year, will have a material impact on its financial condition or operating results.

During October 1995, the Financial Accounting Standards Board issued Statement No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123"). This standard, which establishes a fair value based method for stock-based compensation plans, also permits an election to continue following the requirements of APB Opinion No. 25, "Accounting for Stock Issued to Employees," with disclosures of pro forma net income and earnings per share under the new method. The Company will continue following the requirements of APB Opinion No. 25 with disclosure of pro forma information. The disclosure requirements of SFAS No. 123 will be effective for the Company's 1997 fiscal year.

2. ACQUISITIONS

In December 1993, the Company completed its acquisition of ChipSoft, which was treated as a purchase for accounting purposes. The total purchase price of $306.4 million in common stock, stock options, and acquisition costs ($255.3 million net of tangible assets acquired) and approximately $11.0 million relating to the tax effecting of identified intangibles were allocated as follows: $150.5 million to in-process research and development, $33.5 million to intangible assets, and $82.3 million to goodwill.

In April 1994, the Company acquired certain assets of Best's professional tax preparation business for an initial purchase price of $6.5 million in cash. The purchase agreement calls for a cash "earnout" payment based on the amount of revenue derived by the Company from former Best customers and the number of Best customers who purchased the Company's professional tax products by April 1996. The Company is currently negotiating this payment with Best and believes the obligation is insignificant. Of the purchase price, $5.8 million was allocated to intangible assets.

In July 1994, the Company completed its acquisition of ISC for consideration of $7.6 million in common stock and cash. ISC currently provides electronic banking back-end processing services, bill payment, stock quote retrieval services and access to Intuit's web site for consumers via their modems and personal computers. The acquisition was treated as a purchase for accounting purposes. Of the purchase price, $1.4 million was allocated to in-process research and development, $6.0 million to intangible assets, and $2.1 million to goodwill. As further discussed in Note 12 of Notes to Consolidated Financial Statements, the Company has entered into an agreement to sell ISC.

In September 1994, the Company completed its acquisition of Parsons, which was treated as a purchase for accounting purposes. Under the terms of the agreement, the Company paid approximately $28.8 million in cash and

issued approximately 1,800,000 shares of the Company's common stock to Parsons' stockholders at the date of the acquisition. In the first quarter of fiscal 1996, the Company paid an additional $2.7 million in cash as deferred consideration. The total purchase price of approximately $67.3 million, which, in addition to the above amounts, included 138,038 shares of common stock to be paid for certain non-competition agreements, was allocated as follows: $44.0 million to in-process research and development, $14.0 million to intangible assets and $9.9 million to goodwill.

In June 1995, the Company completed its acquisition of PNI, a developer of technology to provide online investment research data. The acquisition, which was accounted for as a purchase, had an aggregate purchase price of approximately $10.4 million in common stock and acquisition costs. Of the purchase price, $8.5 million was allocated to in-process research and development, $183,000 to identified intangible assets and $166,000 to goodwill. The amount of the purchase price allocated to in-process research and development was charged to the Company's operations at the time of the acquisition. In addition to the in-process research and development charge, the Company incurred acquisition-related charges of $1.6 million in fiscal 1995 related to the termination of a conflicting license agreement.

In June 1995, the Company acquired certain assets of Mysterious Pursuit for consideration of approximately $1.1 million. Mysterious Pursuit, an Australian company, was the Company's outside developer of tax software for the Australian, German and United Kingdom markets. The purchase price of $1.1 million was

allocated to identified intangible assets. Mysterious Pursuit's operations were discontinued during fiscal 1996.

On January 2, 1996, the Company completed its acquisition of Milkyway, which was treated as a pooling of interests for accounting purposes. Milkyway is a provider of PC-based financial software in Japan. In addition to the issuance of 650,000 shares of Intuit common stock, the Company recorded acquisition related expenses of $0.6 million. The accompanying consolidated financial statements are presented on a combined basis for all periods. The following information shows revenue and net income (loss) of the separate companies during the periods preceding the combination:

<TABLE>
<CAPTION>

(in thousands)	TEN MONTHS ENDED JULY 31, 1994	TWELVE MONTHS ENDED JULY 31, 1995	PERIOD ENDED JAN. 2, 1996
<S>	<C>	<C>	<C>
Net revenue:			
Intuit	$ 194,126	$ 395,729	$ 164,696
Milkyway	16,250	23,431	14,510
	$ 210,376	$ 419,160	$ 179,206
Net income (loss):			
Intuit	$(176,313)	$ (45,363)	$ (34,037)
Milkyway	(7,661)	1,067	1,312
	$(183,974)	$ (44,296)	$ (32,725)

</TABLE>

In June 1996, the Company completed its acquisition of IIS, a developer of an Internet based system designed to allow consumers to obtain personalized insurance information from national insurance carriers via the World Wide Web. The acquisition, which was treated as a purchase for accounting purposes, had a purchase price of approximately $9.0 million. Under the terms of the agreement, the Company issued 169,181 shares of Intuit common stock and 3,255 options to purchase Intuit common stock to IIS stockholders at the date of acquisition. Approximately $8.0 million of in-process research and development was expensed.

Pro forma information has not been presented due to immateriality.

Consistent with the Company's test for internally developed software, for each of these acquisitions the Company determined the amounts allocated to developed and in-process research and development based on whether technological feasibility had been achieved and whether there was any alternative future use for the technology. Due to the absence of detailed program designs, evidence of technological feasibility was established through the

existence of a completed working model at which point functions, features and technical performance requirements can be demonstrated. As of the respective dates of the acquisitions, the Company concluded that the in-process research and development had no alternative future use after taking into consideration the potential for usage of the software in different products, resale of the software and internal usage.

3. OTHER ACCRUED LIABILITIES

<TABLE>
<CAPTION>

(in thousands)	JULY 31, 1995	JULY 31, 1996
<S>	<C>	<C>
Reserve for returns and exchanges	$29,197	$24,203
Acquisition-related items, including deferred acquisition costs	9,009	3,677
Rebates	1,974	2,787
Post-customer contract support	2,796	3,500
Other accruals	8,479	8,103
	$51,455	$42,270

</TABLE>

4. NOTES PAYABLE AND COMMITMENTS

Notes Payable

In March 1995, the Company entered into a 20-year loan for $4.0 million for its site in New Mexico. The interest rate is variable with a maximum rate of 10%. At July 31, 1996, the interest rate was 8-1/4%. The fair value of the loan approximates cost, as the interest rate on the borrowings is adjusted periodically to reflect market rates.

Leases

The Company leases its office facilities and some equipment under various operating lease agreements. The leases provide for annual rent increases up to 10%. Annual minimum commitments under these leases are as follows:

<TABLE>
<CAPTION>

(in thousands)	YEARS ENDING JULY 31,
<S>	<C>
1997	$10,110
1998	9,809
1999	8,652
2000	9,114
2001	8,843
Thereafter	28,898
	$75,426

</TABLE>

Total rent expense for the ten months ended July 31, 1994 and the twelve months ended July 31, 1995 and July 31, 1996 was approximately $5.4 million, $7.6 million and $9.2 million, respectively.

5. STOCKHOLDERS' EQUITY

Stock Option Plans

On January 31, 1993, the Company adopted the 1993 Equity Incentive Plan (the "1993 Plan"), which authorizes the granting of incentive and non-qualified stock options, restricted stock awards and stock bonuses to employees, directors, consultants, and independent contractors of and advisors to the Company. Exercisability, option price and other terms are determined by the Board of Directors, but the option price will not be less than the fair market value of the stock at the date of grant. The options have a ten-year term and generally become exercisable over a four-year period. Options assumed in the acquisition of ISC were assumed under the 1993 Plan.

In addition, the Company has several discontinued option plans pursuant to which there are still outstanding options, including the ChipSoft option plans which were assumed by the Company on December 12, 1993. The options have a seven-year term and generally become exercisable over a five-year period. A summary of activity under the Plans is as follows:

<TABLE>
<CAPTION>

	SHARES AVAILABLE FOR GRANT	OPTIONS OUTSTANDING	
		NUMBER OF SHARES	PRICE PER SHARE
<S>	<C>	<C>	<C>
Balance at September 30, 1993	1,474,910	3,122,538	$ 0.05 - $18.88
Additional shares authorized for issuance...	1,000,000		
Options assumed from ChipSoft acquisition...	--	1,676,376	$ 0.45 - $18.50
Options assumed from ISC acquisition	(24,610)	24,610	$ 0.11
Options granted	(1,284,828)	1,284,828	$15.13 - $23.50
Options exercised	--	(1,173,950)	$ 0.05 - $18.50
Options canceled or expired	82,476	(218,942)	$ 0.45 - $23.50
Balance at July 31, 1994	1,247,948	4,715,460	$ 0.05 - $23.50
Additional shares authorized	5,000,000		
Options granted	(3,114,974)	3,114,974	$19.75 - $43.13
Options exercised	--	(1,178,950)	$ 0.05 - $31.00
Options canceled or expired	291,396	(388,118)	$ 0.45 - $43.13
Balance at July 31, 1995	3,424,370	6,263,366	$ 0.05 - $43.13
Options assumed from the IIS acquisition ...	(3,255)	3,255	$ 0.44 - $ 8.30

Options granted	(2,001,495)	2,001,495	$35.00 - $84.00
Options exercised	--	(1,120,847)	$ 0.05 - $56.63
Options canceled or expired	548,853	(581,296)	$ 3.00 - $84.00
Balance at July 31, 1996	1,968,473	6,565,973	$ 0.05 - $84.00

</TABLE>

At July 31, 1994, 1995 and 1996, options under the various plans for 1,459,886, 1,480,588 and 1,894,320 shares, respectively, were exercisable. At July 31, 1996, all 1,968,473 shares available for grant were under the 1993 Plan.

On May 22, 1995, all non-officer employee grants of stock options under the Company's 1993 Equity Incentive Plan issued between the date the proposed merger with Microsoft Corporation ("Microsoft") was announced (October 13, 1994) and the date of termination of the merger agreement (May 19, 1995) were repriced (a total of 928,150 options) to reflect an exercise price of $31.00, the fair market value on the date of repricing.

Stock Split

On July 20, 1995, the Company's Board of Directors authorized a two-for-one stock split effected in the form of a 100% stock dividend distributed on August 21, 1995 to stockholders of record on August 4, 1995. All references in the financial statements to number of shares, per share amounts, stock option data, and market prices of the Company's common stock have been restated.

6. PROFIT-SHARING AND BENEFIT PLANS

Profit-Sharing Plans

The Company maintains profit-sharing plans for full-time employees. Amounts provided are determined pursuant to criteria established by the Compensation Committee of the Board of Directors. Profit-sharing expense for the ten months ended July 31, 1994 and the twelve months ended July 31, 1995 and July 31, 1996 was approximately $3,144,000, $5,044,000 and $1,415,000, respectively.

Benefit Plans

At July 31, 1996, the Company maintained three 401(k) retirement savings plans for its full-time employees. Each participant may elect to contribute from 1% to 15% of his or her annual salary to the plan, subject to IRS limitations.

The Company, at its discretion, may make contributions to any plan. Such contributions were approximately $300,000 for the year ended July 31, 1996.

7. INCOME TAXES

The components of the provision for income taxes consist of the following:

<TABLE>
<CAPTION>

(in thousands)	TEN MONTHS ENDED JULY 31, 1994	TWELVE MONTHS ENDED JULY 31, 1995	1996
<S>	<C>	<C>	<C>
Current:			
Federal	$ 8,510	$ 31,899	$ 15,732
State	2,067	7,157	3,116
Foreign	1,124	1,583	1,302
	11,701	40,639	20,150
Deferred:			
Federal	(7,976)	(13,638)	(3,378)
State	(1,244)	(2,705)	(547)
	(9,220)	(16,343)	(3,925)
Total provision for income taxes	$ 2,481	$ 24,296	$ 16,225

</TABLE>

The provision for income taxes differs from the amount computed by applying the statutory federal income tax rate to loss before income taxes. The sources and tax effects of the differences are as follows:

<TABLE>
<CAPTION>

	TEN MONTHS ENDED JULY 31,	TWELVE MONTHS ENDED JULY 31,

(in thousands)	1994	1995	1996
Loss before income taxes	$(181,493)	$ (20,000)	$ 1,870
Statutory federal income tax at 35%	(63,523)	(7,000)	654
State income tax, net of federal benefit	187	2,950	1,670
Federal research and experimental credits	(350)	(1,000)	--
Non-deductible merger related charges	63,665	29,742	13,531
Tax exempt interest	(884)	(630)	(1,400)
Other, net	3,386	234	1,770
Total	$ 2,481	$ 24,296	$ 16,225

The current federal and state provisions do not reflect the tax savings resulting from deductions associated with the Company's various stock option plans. This savings was approximately $18,865,000 in fiscal 1996 and $13,217,000 in fiscal 1995. These amounts were credited to stockholders' equity.

Significant components of the Company's deferred tax assets and liabilities for federal and state income taxes are as follows:

(in thousands)	JULY 31, 1995	JULY 31, 1996
Deferred tax assets:		
Accruals and reserves not currently deductible	$19,942	$20,317
Deferred foreign taxes	--	1,641
State income taxes	878	1,390
Merger charges	--	2,458
Fixed asset adjustments	2,313	--
Other, net	1,376	576
Total deferred tax assets	24,509	26,382
Deferred tax liabilities:		
Fixed asset adjustments	--	285
Merger charges	2,914	2,513
Total deferred tax liabilities	2,914	2,798
Total net deferred tax assets	$21,595	$23,584

There was no valuation allowance for deferred tax assets at July 31, 1995 or July 31, 1996 based on management's assessment that current levels of anticipated taxable income will be sufficient to realize the net deferred tax asset.

8. SIGNIFICANT CUSTOMER AND GEOGRAPHIC AREA INFORMATION

One distributor accounted for 14% of net revenue in fiscal 1994, 12% of net revenue in fiscal 1995 and 13% of net revenue in fiscal 1996. A second distributor accounted for 14%, 8% and 5% of net revenue in 1994, 1995, and 1996, respectively.

Net revenues from European and Asian (Milkyway) operations were not significant in any period presented.

9. MICROSOFT MERGER TERMINATION

On May 20, 1995, the Company announced that its merger agreement with Microsoft had been terminated. The proposed merger had been opposed in a lawsuit brought by the U.S. Department of Justice, and the two companies were unable to agree to pursue the litigation. In the fourth quarter of fiscal 1995, the Company received a $46.3 million termination fee from Microsoft ($41.3 million net of related expenses). The after-tax benefit to the Company was approximately $25.6 million.

10. LITIGATION

On March 29, 1994, Joann McGovern filed a class action lawsuit against ChipSoft (which was subsequently merged into the Company) in the Chancery Division, Circuit Court of Cook County, Illinois, on behalf of the plaintiff and other

purchasers of the 1993 HeadStart version of the Company's TurboTax tax preparation software (the "Product"). The plaintiff asserts claims for breach of express and implied warranties and violation of the Illinois Consumer Fraud Act and seeks, on behalf of herself and purported class members, refund of the purchase price as well as consequential and punitive damages. The plaintiff claims that the packaging of the Product was false and misleading in that it did not adequately apprise purchasers of the need to obtain the final version of TurboTax (which the plaintiff admits was available free of charge) in order to prepare final tax forms for filing with the IRS. In October 1995, the Company obtained summary judgment on the plaintiff's claims for breach of express and implied warranties. On January 4, 1996 the plaintiff's motion for class certification for the Illinois Consumer Fraud Act claim was denied. The plaintiff is seeking judicial review of an issue relating to this determination. On September 19, 1996 the Company filed a motion for summary judgment on the plaintiff's Illinois Consumer Fraud Act claim, with a hearing currently scheduled for December 12, 1996. The Company believes that the plaintiff's claims are without merit and intends to defend the litigation vigorously.

On August 23, 1995, Interactive Gift Express, Inc. filed a patent infringement suit in the United States District Court for the Southern District of New York against the Company and seventeen other defendants alleging infringement of U.S. Patent No. 4,528,643 and seeking unspecified damages. Interactive Gift Express subsequently changed its name to E-Data Corp. The complaint did not specify which products of the Company allegedly infringed the patent, and did not indicate which claims of the patent are allegedly infringed. On August 26, 1996, the plaintiff filed a report identifying which claims of the patent were allegedly infringed and providing its interpretation of the claims, and also stating that the Company was infringing the subject patent by "selling software online." The parties have not yet begun to engage in discovery, which the Company believes may be material. Although discovery has not yet commenced, based on the investigation conducted by the Company to date and a review of its products, the Company believes that the complaint is without merit and intends to defend the litigation vigorously.

On June 26, 1996, Barbara Hubbard, a former corporate controller of the Company, filed a lawsuit against the Company and its Chairman, its President and its former Chief Financial Officer, in the Santa Clara County, California, Superior Court, alleging sex discrimination, wrongful discharge, breach of contract, defamation and violations of the California Labor Code. The complaint seeks damages in an unspecified amount. The Company has answered the complaint, denying all material allegations, with the individual defendants demurring. Intuit believes that the complaint is without merit and intends to defend the litigation vigorously.

On July 31, 1996, Trio Systems L.L.C. ("Trio") filed a lawsuit against the Company in the U.S. District Court, Central District of California (Los Angeles) alleging copyright infringement and violation of a license agreement. The complaint seeks declaratory relief, rescission and $60 million in damages. Trio alleges that the Company infringed Trio's copyrights in certain software by, among other things, allegedly violating the license that was attached to the software in various forms, and by allegedly making copies of the software without the authorization of Trio, or in violation of various terms of the license. Trio also contends that the Company has violated the terms of the license by publishing software that contains software belonging to Trio under conditions that allegedly violate the terms of the license. The Company answered the complaint on September 3, 1996, denying all material allegations, and discovery is proceeding. On September 30, 1996, Trio filed a motion for a preliminary injunction seeking to prevent the Company from shipping any Intuit products containing Trio software, including Quicken products. The Company has filed a response to this motion and a hearing on the motion is scheduled for October 28, 1996. The Company intends to oppose the motion vigorously and expects that its new Quicken products will be available for purchase on October 24, 1996. Although discovery has just begun, based on the investigation conducted by the Company to date and a review of its products, the Company believes that the complaint is without merit and intends to defend the litigation vigorously.

Financial Courseware Ltd. ("FCL"), an Irish company, has a software product named "Intuition" that is used for teaching financial terminology within institutions. FCL has opposed the Company's application to register "Intuit" as a trademark in Canada, Germany, Switzerland and the United Kingdom. In Switzerland, the Company's application was rejected, and the Company has appealed. The oppositions remain pending in the other three countries. In December 1995, FCL initiated proceedings against Intuit Ltd. (the Company's United Kingdom subsidiary) in Ireland seeking to enjoin use of the Intuit mark in Ireland and accounting for damages. A response and counterclaim have been filed denying all claims and seeking to restrict FCL's rights under its registration. Direct negotiations among the principals of FCL and the Company have commenced, but it is too soon to determine how the matter will be resolved.

The Company is also subject to other legal proceedings and claims that arise in the ordinary course of its business. Management currently believes that the ultimate amount of liability, if any, with respect to any pending actions, either individually or in the aggregate, will not materially affect the

financial position, results of operations or liquidity of the Company. However, the ultimate outcome of any litigation is uncertain. If an unfavorable outcome were to occur, the impact could be material. Furthermore, any litigation, regardless of outcome, can have an adverse impact on the Company as a result of defense costs, diversion of management resources and other factors.

11. SELECTED QUARTERLY CONSOLIDATED FINANCIAL DATA (UNAUDITED)

<TABLE>
<CAPTION>

	FISCAL 1995 QUARTER ENDED (1)			
	OCTOBER 31 (2)	JANUARY 31	APRIL 30	JULY 31 (3) & (4)
<S>	<C>	<C>	<C>	<C>
(in thousands, except per share data)				
Net revenue	$ 73,505	$ 168,453	$ 104,798	$ 72,404
Cost of goods sold	22,993	46,041	28,450	24,207
All other costs and expenses	106,259	95,169	78,792	82,290
Net income (loss)	(53,633)	14,563	(3,795)	(1,431)
Net income (loss) per share	(1.34)	0.33	(0.09)	(0.03)

</TABLE>

<TABLE>
<CAPTION>

	FISCAL 1996 QUARTER ENDED			
	OCTOBER 31	JANUARY 31	APRIL 30	JULY 31 (5)
<S>	<C>	<C>	<C>	<C>
(in thousands, except per share data)				
Net revenue	$ 102,250	$ 218,996	$ 132,069	$ 85,293
Cost of goods sold	28,091	49,482	35,269	25,027
All other costs and expenses	101,411	115,788	96,850	92,466
Income (loss) from continuing operations	(18,684)	24,067	1,273	(21,011)
Loss from discontinued operations, net of tax	(1,638)	(2,157)	(1,581)	(968)
Net income (loss)	(20,322)	21,910	(308)	(21,979)
Net income (loss) per share	(0.46)	0.46	(0.01)	(0.48)

</TABLE>

(1) Includes the results of Parsons from September 27, 1994 and the results of PNI from June 8, 1995.

(2) Includes a charge of $44.0 million related to purchased research and development at the time of the Parsons acquisition.

(3) Includes a charge of $8.5 million related to purchased research and development at the time of the PNI acquisition.

(4) Net loss includes proceeds of $41.3 million net of related expenses ($25.6 million net of related expenses and income taxes) relating to the Microsoft merger termination fee.

(5) Includes a charge of $8.0 million related to purchased research and development at the time of the IIS acquisition.

12. SUBSEQUENT EVENTS

Discontinued Operations and Divestitures

On September 16, 1996, the Company announced plans to sell ISC in exchange for 12.6 million shares of CheckFree common stock, approximately 23% of the resulting 54.0 million CheckFree shares outstanding. As of September 13, 1996, the CheckFree stock to be exchanged in the transaction was valued at $227.6 million. Subject to regulatory and CheckFree stockholder approval, the transaction is expected to be finalized by early calendar year 1997.

The divested online banking and bill payment business has been accounted for as a discontinued operation and, accordingly, its operating results have been segregated for fiscal year 1996. Segregated operating results for fiscal years 1995 and 1994 have not been presented due to immateriality. Revenue for discontinued operations was $14.3 million for fiscal year 1996. Liabilities of discontinued operations consist of accounts payable and other accrued compensation and liabilities totaling $3.0 million at July 31, 1996. Assets of discontinued operations consist of fixed assets, accounts receivable, cash, prepaids and intangibles totaling $21.4 million at July 31, 1996.

Other Matters

On September 3, 1996, the Company completed its acquisition of GALT, a provider of mutual fund information on the Internet. The acquisition will be treated as a purchase for accounting purposes. Under the terms of the agreement, GALT's stockholders received a combination of the Company's common stock and stock options valued at

approximately $9.0 million. The purchase price of $9.0 million will be allocated to identified intangible assets and goodwill.

On September 18, 1996, employee grants (except for Chief Executive Officer and Senior and Executive Vice Presidents) of stock options under the Company's 1993 Equity Incentive Plan issued between June 1, 1995 and September 17, 1996 (a total of 1,787,924 options) were repriced to reflect an exercise price of $32.75, the fair market value on the date of repricing. Any option holder who elected to reprice an option will not be permitted to exercise the repriced option, even if vested, for a certain period of time.

SCHEDULE II

INTUIT INC.

VALUATION AND QUALIFYING ACCOUNTS

<TABLE>
<CAPTION>

CLASSIFICATION	BALANCE AT BEGINNING PERIOD	BEGINNING BALANCE IN ACQUIRED COMPANIES	ADDITIONS CHARGED TO EXPENSE	WRITE-OFFS	BALANCE AT END OF PERIOD
(in thousands)					
<S>	<C>	<C>	<C>	<C>	<C>
Ten months ended July 31, 1994					
Allowance for doubtful accounts.....	$ 1,883	$ 254	$ 753	$ (370)	$ 2,520
Reserve for returns and exchanges.....	$ 7,141	$ 5,936	$ 31,316	$(33,054)	$ 11,339
Year ended July 31, 1995					
Allowance for doubtful accounts.....	$ 2,520	$ 71	$ 2,105	$ (2,288)	$ 2,408
Reserve for returns and exchanges.....	$11,339	$ 521	$ 61,853	$(44,516)	$ 29,197
Year ended July 31, 1996					
Allowance for doubtful accounts.....	$ 2,408	--	$ 4,728	$ (2,185)	$ 4,951
Reserve for returns and exchanges.....	$29,197	--	$ 57,128	$(62,122)	$ 24,203

</TABLE>

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

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

PART III
ITEM 10
DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this Item with respect to Directors may be found in the section captioned "Election of Intuit Directors" appearing in the definitive Proxy Statement to be delivered to stockholders in connection with the Annual Meeting of Stockholders scheduled to be held in November 1996 (the "Proxy Statement"). Such information is incorporated herein by reference. Information required by this Item with respect to executive officers may be found in Part I hereof in the section captioned "Executive Officers and Key Employees of Registrant."

ITEM 11

EXECUTIVE COMPENSATION

Information with respect to this Item may be found in the section captioned "Executive Compensation" appearing in the Proxy Statement. Such information is incorporated herein by reference.

ITEM 12
SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information with respect to this Item may be found in the section captioned "Security Ownership of Certain Beneficial Owners and Management" appearing in the Proxy Statement. Such information is incorporated herein by reference.

ITEM 13
CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information with respect to this Item may be found in the section captioned "Executive Compensation - Certain Transactions" appearing in the Proxy Statement. Such information is incorporated herein by reference.

PART IV
ITEM 14
EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) The following documents are filed as part of this report:

1. Financial Statements - See Index to Consolidated Financial Statements in Part II, Item 8.

2. Financial Statement Schedules - See Index to Consolidated Financial Statements in Part II, Item 8.

3. Exhibits

Exhibit 2.01*	Exchange Agreement between the Company and Kabushiki Kaisha Milkyway and its stockholders dated December 26, 1995 (schedules and similar attachments will be furnished to the Commission upon request)
Exhibit 2.02*	Agreement and Plan of Reorganization by and between the Company and GALT Technologies, Inc. dated as of September 3, 1996 and the related Agreement of Merger (other schedules and similar attachments will be furnished to the Commission upon request)
Exhibit 2.03*	Agreement and Plan of Merger among CheckFree Corporation, CheckFree Acquisition Corporation II, the Company and Intuit Services Corporation dated September 15, 1996 (schedules and similar attachments will be furnished to the Commission upon request)
Exhibit 3.01(1)	Certificate of Incorporation of the Company dated February 1, 1993
Exhibit 3.02(4)	Certificate of Amendment to the Company's Certificate of Incorporation dated December 14, 1993
Exhibit 3.03(12)	Certificate of Amendment to the Company's Certificate of Incorporation dated January 18, 1996
Exhibit 3.04(1)	Bylaws of the Company
Exhibit 4.01(1)	Form of Specimen Certificate for the Company's Common Stock
Exhibit 4.02(1)	Investor Rights Agreement, dated as of August 21, 1990, as amended on July 7, 1992, between the Company and various investors
Exhibit 4.03(2)	Amendment to Investor Rights Agreement, dated as of December 10, 1993, among the Company and various investors
Exhibit 4.04(2)	Registration Rights Agreement, dated as of December 8, 1989, among ChipSoft and various investors
Exhibit 4.05(2)	Amendment to Registration Rights Agreement, dated December 10, 1993, among ChipSoft and various investors
Exhibit 10.01(1)+	The Company's 1988 Stock Option Plan and related documents.
Exhibit 10.02(1)+	The Company's form of Non-Plan Non-Qualified Stock Option Agreement
Exhibit 10.03*+	The Company's 1993 Equity Incentive Plan, as amended through July 20, 1995
Exhibit 10.4(1)	Distribution Agreement by and between the Company and Softsel Computer Products, Inc. (now Merisel, Inc.), dated July 1, 1986, as

	amended to date
Exhibit 10.5(1)	Form of Indemnification Agreement entered into by the Company with each of its directors and certain executive officers
Exhibit 10.6(13)+	1992 Stock Option Plan of ChipSoft
Exhibit 10.7(13)+	Form of Non-Qualified Stock Option Agreement under the 1992 Stock Option Plan of ChipSoft
Exhibit 10.8(13)+	1989 Stock Option Plan of ChipSoft

Exhibit 10.9(13)+	Form of Non-Qualified Stock Option Agreement under the 1989 Stock Option Plan of ChipSoft
Exhibit 10.10(13)+	Softview Acquisition Stock Option Plan of ChipSoft
Exhibit 10.11(13)+	Form of Incentive Stock Option Agreement under the Softview Acquisition Plan of ChipSoft
Exhibit 10.12(13)+	Restricted Stock Purchase Agreement dated as of March 28, 1991, between ChipSoft and Alan A. Gleicher
Exhibit 10.13(13)+	Non-Transferable, Non Qualified Stock Option Agreement dated as of March 28, 1991, between ChipSoft and Alan A. Gleicher
Exhibit 10.14(13)+	Non-Transferable, Non Qualified Stock Option Agreement dated as of August 1, 1991, between ChipSoft and William H. Harris Jr.
Exhibit 10.15(4)+	Letter Agreement of Employment dated March 30, 1994 between the Company and William V. Campbell
Exhibit 10.16(4)	Contract for Purchase of Land dated July 25, 1994 between the Company and Amrep Southwest, Inc.
Exhibit 10.17(4)	Owner and Design/Builder Agreement dated July 18, 1994 between the Company and Reid & Elliott, Inc.
Exhibit 10.18(7)+	Severance Agreement dated September 30, 1994 between the Company and Charles H. Gaylord, Jr.
Exhibit 10.19(7)	Indenture dated as of September 1, 1994 among the City of Rio Rancho, New Mexico ("Rio Rancho"), the Company and Sunwest Bank of Albuquerque, N.A. ("Sunwest Bank")
Exhibit 10.20(7)	Lease and Purchase Agreement dated as of September 1, 1994 between the Company and Rio Rancho
Exhibit 10.21(7)	Bond Purchase Agreement dated October 12, 1994 among ChipSoft, Inc., Rio Rancho and the Company
Exhibit 10.22(7)	Construction Loan Agreement effective September 29, 1994 between Sunwest Bank and the Company and the related Collateral Assignments
Exhibit 10.23(7)	Mortgage dated July 24, 1994 between the Company and Sunwest Bank, as amended September 29, 1994
Exhibit 10.24(7)	Amended and Restated Real Estate Mortgage Note dated September 29, 1994 issued by the Company to Sunwest Bank
Exhibit 10.25(8)	Option Agreement dated as of November 30, 1994 between the Company and Charleston Properties
Exhibit 10.26(8)	Lease Agreement dated as of November 30, 1994 between the Company and Charleston Properties for 2700 Coast Drive, Mountain View, California
Exhibit 10.27(8)	Lease Agreement dated as of November 30, 1994 between the Company and Charleston Properties for 2750 Coast Drive, Mountain View, California
Exhibit 10.28(8)	Lease Agreement dated as of November 30, 1994 between the Company and Charleston Properties for 2475 Garcia Drive, Mountain View, California
Exhibit 10.29(8)	Lease Agreement dated as of November 30, 1994 between the Company and Charleston Properties for 2525 Garcia Drive, Mountain View, California
Exhibit 10.30(8)	Lease Agreement dated as of November 30, 1994 between the Company and Charleston Properties for 2535 Garcia Drive, Mountain View, California
Exhibit 10.31(8)	Option Agreement dated as of November 30, 1994 between the Company and Charleston Properties for 2650 Casey Drive, Mountain View, California

Exhibit 10.32(10)	Build-to-Suit Lease Agreement dated as of June 5, 1995 between the Company and UTC Greenwich Partners, a California limited partnership

	Exhibit 10.33(10)	Lease Agreement dated as of August 31, 1995 between the Company and Airport Business Center Associates Limited Partnership, an Arizona limited partnership
	Exhibit 10.34(11)	Supply Agreement dated August 23, 1995 by and between Intuit Inc. and John H. Harland Company
	Exhibit 10.35(12)+	Letter Agreement dated December 11, 1995 between the Company and William H. Lane III
	Exhibit 11.01*	Computation of Net Loss Per Share
	Exhibit 21.01*	List of the Company's Subsidiaries
	Exhibit 23.01*	Consent of Ernst & Young LLP, Independent Auditors
	Exhibit 24.01*	Power of Attorney (see signature page)
	Exhibit 27.01*	Financial Data Schedule (filed only in electronic format)

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(1) Filed as an exhibit to the Company's Registration Statement on Form S-1, filed February 3, 1993, as amended (File No. 33-57884) and incorporated by reference
(2) Filed as an exhibit to the Company's Registration Statement on Form S-4, filed September 20, 1993, as amended (File No. 33-69018) and incorporated by reference
(3) Filed as an exhibit to the Company's Form 10-Q for the quarter ended December 31, 1993 and incorporated by reference
(4) Filed as an exhibit to the Company's Form 10-K as originally filed on October 31, 1994, as amended, and incorporated by reference
(5) Filed as an exhibit to the Company's Form 8-K filed October 11, 1994 and incorporated by reference
(6) Filed as Annex A to the preliminary proxy materials filed on November 21, 1994 by the Company and Microsoft for the Company's special meeting of stockholders held 1995 and incorporated by reference
(7) Filed as an exhibit to the Company's Form 10-Q for the quarter ended October 31, 1994, filed on December 13, 1994 and incorporated by reference
(8) Filed as an exhibit to the Company's Form 10-Q for the quarter ended January 31, 1995, filed on March 17, 1995 and incorporated by reference
(9) Filed as an exhibit to the Company's Form 10-Q for the quarter ended April 30, 1995, filed on June 14, 1995 and incorporated by reference
(10) Filed as an exhibit to the Company's Form 10-K for the fiscal year ended July 31, 1995 and incorporated by reference
(11) Filed as an exhibit to the Company's Form 10-Q for the quarter ended October 31, 1995 and incorporated by reference
(12) Filed as an exhibit to the Company's Form 10-Q for the quarter ended January 31, 1996 and incorporated by reference
(13) Filed as an exhibit to the ChipSoft Form S-1 registration statement filed on February 24, 1993 (file no. 33-57692) and incorporated by reference
(14) Filed as an exhibit to the ChipSoft 1992 Form 10-K and incorporated by reference
(15) Filed as an exhibit to the ChipSoft 1993 Form 10-K and incorporated by reference

\+ Indicates a management contract or compensatory plan or arrangement
* Filed herewith

(b) Reports on Form 8-K

The Company filed no reports on Form 8-K during the fourth quarter of fiscal 1996.

(c) Exhibits

See Item 14(a)(3) above.

(d) Financial Statement Schedules

See Item 14(a)(2) above.

SIGNATURES

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

INTUIT INC.

Dated: October 17, 1996 By: /s/ JAMES J. HEEGER

James J. Heeger
Senior Vice President and Chief Financial Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints William V. Campbell and James J. Heeger, and each of them, as his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to this Report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intends and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

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

<TABLE>
<CAPTION>

NAME	TITLE	DATE
<S>	<C>	<C>
PRINCIPAL EXECUTIVE OFFICER:		
/s/ WILLIAM V. CAMPBELL William V. Campbell	President, Chief Executive Officer and Director	October 17, 1996
PRINCIPAL FINANCIAL OFFICER:		
/s/ JAMES J. HEEGER James J. Heeger	Senior Vice President and Chief Financial Officer	October 17, 1996
PRINCIPAL ACCOUNTING OFFICER:		
/s/ GREG J. SANTORA Greg J. Santora	Corporate Controller	October 17, 1996
ADDITIONAL DIRECTORS:		
/s/ SCOTT D. COOK Scott D. Cook	Chairman of the Board of Directors	October 17, 1996
/s/ CHRISTOPHER W. BRODY Christopher W. Brody	Director	October 17, 1996
/s/ L. JOHN DOERR L. John Doerr	Director	October 17, 1996
/s/ MICHAEL R. HALLMAN Michael R. Hallman	Director	October 17, 1996
/s/ BURTON J. MCMURTRY	Director	October 17, 1996

EXHIBIT 2.01

EXCHANGE AGREEMENT

BETWEEN

INTUIT INC.

AND

KABUSHIKI KAISHA MILKYWAY AND ITS STOCKHOLDERS

DECEMBER 26, 1995
EXCHANGE AGREEMENT

THIS EXCHANGE AGREEMENT (this "Agreement") is entered into as of December 26, 1995, by and among Intuit Inc., a Delaware corporation ("Intuit"), Kabushiki Kaisha Milkyway, a corporation organized and existing under the laws of Japan ("Milkyway"), and the stockholders of Milkyway listed on Exhibit A attached hereto (each individually a "Stockholder" and collectively the "Stockholders").

RECITALS

A. Intuit is engaged in the business of designing, publishing, distributing and providing financial software and related services. Milkyway is engaged in the business of publishing and distributing packaged accounting, financial and administrative software and related services for businesses.

B. The Boards of Directors of Intuit and Milkyway and the Stockholders believe that the products and services of both companies are complementary, that Milkyway will benefit from Intuit's stronger presence in the Windows market, personal finance market and the electronic financial services market and that Intuit will benefit by adding Milkyway's product line, technology, brand name and distribution channels, and therefore have determined that it is in the best interests of both companies that Intuit acquire all of the outstanding Common Stock of Milkyway.

C. The parties intend that, subject to the terms and conditions hereinafter set forth, Intuit will acquire 100% of the outstanding capital stock of Milkyway from the Stockholders pursuant to the terms and conditions set forth herein in exchange for shares of Intuit Common Stock.

D. The Exchange is intended to be treated as (i) a "qualified stock purchase" described in Section 338 of the Code (as defined below), and (ii) a "pooling of interests" for accounting purposes.

NOW, THEREFORE, the parties hereto agree as follows:

1. DEFINITIONS

1.1 "Balance Sheet Date" is defined in Section 3.8.

1.2 "Closing" is defined in Section 7.1.

1.3 "Closing Date" is defined in Section 7.1.

1.4 "Code" shall mean the Internal Revenue Code of 1986, as amended.

1.5 "Confidentiality Agreement" means the Agreement for Use and Non-Disclosure of Proprietary Information among Milkyway, Intuit, certain Stockholders and The Kamakura Corporation dated December 13, 1995, and any amendments thereto.

1.6 "Employee Plans" shall mean all pension, retirement, disability, medical, dental or other health plans, life insurance or other death benefit plans, profit sharing, deferred compensation agreements, stock, option, bonus or other incentive plans, vacation, sick, holiday or other paid leave plans, severance plans or other similar employee benefit plans maintained by Milkyway.

1.7 "Employment Agreements" shall mean the agreements to be entered into between Milkyway and each of Tohru Morii, Hiroki Orito, Hirofumi Udagawa and Mitsuya Yahagi in the form attached to this Agreement as Exhibit B-1, and the agreement to be entered into between Milkyway and Masashi Miki in the form of Exhibit B-2.

1.8 "Escrow Agreement" shall mean the agreement to be entered into

among Intuit, Milkyway and the Stockholders substantially in the form attached to this Agreement as Exhibit C.

1.9 "Escrow Period" shall mean the period beginning with the Closing Date and continuing until the issuance by Intuit's of its release of its audited financial results for the fiscal year ending July 31, 1996.

1.10 "Escrow Shares" shall mean five percent (5%) of the Exchange Shares, as set forth on Exhibit A.

1.11 The "Exchange" shall mean the exchange of the Milkyway Stock for the Exchange Shares contemplated by Section 2.1 below.

1.12 "Exchange Shares" is defined in Section 2.1.

1.13 "Material Agreement" means an agreement described in Section 3.12.

1.14 "Major Stockholder" means each of Hidemoto Yoshii, Masashi Miki and Toshikazu Nakamura.

1.15 "Intuit Affiliates Agreement" is defined in Section 6.5.

1.16 "Intuit Ancillary Agreements" shall mean the Escrow Agreement, the Intuit Affiliates Agreements, the Nakamura Agreement and the Yoshii Agreement.

1.17 "Intuit Common Stock" shall mean shares of Intuit's Common Stock, $.01 par value per share.

1.18 "Intuit Options" shall mean options to purchase Intuit Common Stock issued pursuant to Intuit's 1993 Equity Incentive Plan.

1.19 "Milkyway Ancillary Agreements" shall mean the Escrow Agreement, the Milkyway Affiliates Agreements, the Employment Agreements, the Yoshii Agreement and the Nakamura Agreement.

1.20 "Milkyway Certificates" shall mean the certificates for the Stockholders' shares of Milkyway Stock.

1.21 "Milkyway Intellectual Property" is defined in Section 3.13.

1.22 "Milkyway Stock" shall mean the 80,000 shares of issued and outstanding Common Stock of Milkyway.

1.23 "Nakamura Agreement" shall mean the Non-Competition Agreement by and among Intuit, Milkyway and Toshikazu Nakamura, dated of even date herewith, in the form attached hereto as Exhibit D.

1.24 "Securities Act" shall mean the U.S. Securities Act of 1933, as amended.

1.25 "SEC" shall mean the U.S. Securities and Exchange Commission.

1.26 "Stockholders Ancillary Agreements" shall mean the Escrow Agreement, the Milkyway Affiliates Agreements, the Employment Agreements, the Yoshii Agreement and the Nakamura Agreement.

1.27 "U.S. Person" is defined in Section 3.24.8.

1.28 "Yoshii Agreement" shall mean the Non-Competition Agreement by and among Intuit, Milkyway and Hidemoto Yoshii, dated of even date herewith, in the form attached hereto as Exhibit E.

2. THE EXCHANGE

2.1 The Exchange. Subject to the terms and conditions of this Agreement, at the Closing, the Stockholders shall transfer to Intuit all of their shares of Milkyway Stock, the amounts of which are set forth beside their respective names on Exhibit A attached hereto, and in exchange therefor Intuit shall issue to each Stockholder the number of Shares of Intuit Common Stock set forth opposite each Stockholder's name on Exhibit A, for a total of 650,000 shares of Intuit Common Stock (the "Exchange Shares").

2.2 No Adjustments. There shall be no adjustments made to the number of Exchange Shares regardless of any fluctuation of the market price per share of Intuit Common

Stock as quoted on the Nasdaq National Market except in connection with any stock split, reverse stock split, stock dividend, recapitalization, split-up, combination, reorganization or reclassification of Intuit Common Stock.

2.3 Escrow Agreement. Pursuant to an Escrow Agreement to be entered into on or before the Closing Date, Intuit will withhold the Escrow Shares. Intuit will deposit in an escrow pursuant to the Escrow Agreement (the "Escrow") the stock certificates representing the Escrow Shares and related stock transfer powers. The Escrow Shares and such stock transfer powers, and any other property with respect thereto delivered to the Escrow Agent as provided in the Escrow Agreement, will be held as collateral to secure the indemnification obligations of the Stockholders under Section 11.2 hereof in accordance with the Escrow Agreement.

2.4 Securities Law Issues. Intuit shall issue the Exchange Shares pursuant to an exemption from registration under Regulation S ("Regulation S") promulgated under the Securities Act. The Exchange Shares will not be subject to any restriction on transferability other than compliance with the express requirements of Regulation S specified in Section 3.24, Section 5.14, Section 7.3 and restrictions arising under the Milkyway Affiliates Agreement.

2.5 Qualified Stock Purchase. The parties intend that the Exchange be treated as a "qualified stock purchase" described in Section 338 of the Code.

2.6 Pooling of Interests. The parties intend that the Exchange be treated as a "pooling of interests" for accounting purposes. At the Closing, Intuit shall have received a letter dated as of the Closing Date, from Ernst & Young LLP, regarding such firm's concurrence with Intuit management's and Milkyway management's conclusions as to the appropriateness of pooling of interests accounting for the merger under Accounting Principles Board Opinion No. 16 if the Exchange is closed and consummated in accordance with this Agreement.

3. REPRESENTATIONS AND WARRANTIES OF THE STOCKHOLDERS AND MILKYWAY

Each of the Stockholders and Milkyway jointly and severally hereby represents and warrants to Intuit that, except as set forth in items 3.1 through 3.24 (referred to as "Items" below) in the Milkyway Disclosure Schedule, attached as Exhibit N hereto:

3.1 Title. The Stockholder owns and holds good and valid title to the Milkyway Stock being exchanged hereunder by such Stockholder, free and clear of any liens, security interests, restrictions, options or encumbrances. The Stockholder's shares of Milkyway Stock are not subject to any right of first refusal or other restriction, no other person has any interest or right in such shares of Milkyway Stock, and such shares of Milkyway Stock are being transferred to Intuit in compliance with all applicable Japanese securities laws. The Stockholder has no interest or right in Milkyway other than such shares of Milkyway Stock.

3.2 Organization. Milkyway is a corporation duly organized and validly existing under the laws of Japan, has the corporate power and authority to own, operate and lease its properties and to carry on its business as now conducted. Milkyway does not own or lease any real property, has no employees and does not maintain a place of business in any country other than Japan.

3.3 Power, Authorization and Validity.

3.3.1 The Stockholder has the right, power, legal capacity and authority to enter into and perform its obligations under this Agreement and the Stockholders Ancillary Agreements. No filing, authorization or approval, governmental or otherwise, is necessary to enable the Stockholder to enter into, and to perform its obligations under, this Agreement and the Stockholders Ancillary Agreements executed by the Stockholder. This Agreement and the Stockholders Ancillary Agreements are, or when executed by the Stockholder will be, valid and binding obligations of the Stockholder enforceable in accordance with their respective terms, except as to the effect, if any, of (a) applicable bankruptcy and other similar laws affecting the rights of creditors generally and (b) rules of law governing specific performance, injunctive relief and other equitable remedies; provided, however, that the Stockholders Ancillary Agreements (other than the Milkyway Affiliates Agreements) will not be effective until the Closing.

3.3.2 Milkyway has the corporate right, power, legal capacity and authority to enter into and perform its obligations under this Agreement and the Milkyway Ancillary Agreements. This Agreement, the Milkyway Ancillary Agreements and the transfer and exchange of Milkyway Stock pursuant to Section 2.1 have been duly and validly approved by the Milkyway Board of Directors and each of the Stockholders, as required by applicable law. No filing, authorization or approval, governmental or otherwise, is necessary to enable Milkyway to enter into, and to perform its obligations under, this Agreement and the Milkyway Ancillary Agreements, except for the prior notification under the Japanese Foreign Exchange Control Regulations. This Agreement and the Milkyway Ancillary Agreements are, or when executed and delivered by Milkyway and the other parties thereto will be, valid and binding obligations of Milkyway enforceable against Milkyway and the Milkyway Affiliates (as applicable) in accordance with their respective terms, except as to the effect, if any, of (a)

applicable bankruptcy and other similar laws affecting the rights of creditors generally and (b) rules of law governing specific performance, injunctive relief and other equitable remedies; provided, however, that the Milkyway Ancillary Agreements (other than the Milkyway Affiliates Agreements) will not be effective until the Closing.

3.4 Capitalization.

(a) Authorized/Outstanding Capital Stock. The authorized capital stock of Milkyway consists of Eighty Thousand (80,000) shares of Milkyway Common Stock, with par value of 500 yen, of which Eighty Thousand (80,000) shares are issued and outstanding as of this date and as of the Closing Date, and all of which issued and outstanding shares are held of record and owned by Hidemoto Yoshii, Yuko Yoshii, Masashi Miki, Sadao Miki, Toshikazu Nakamura and Toshimitsu Nakamura in the respective amounts set forth on Exhibit A.

Milkyway has not authorized or issued any shares of Preferred Stock. All issued and outstanding shares of Milkyway Common Stock have been duly authorized and validly issued, are fully paid and nonassessable, are not subject to any right of rescission and have been offered, issued, sold and delivered by Milkyway in compliance with all registration or qualification requirements (or applicable exemptions therefrom) of applicable securities laws.

(b) Options/Rights. There are no rights, options, warrants, conversion privileges or preemptive or other rights or agreements outstanding to purchase or otherwise acquire any of Milkyway's authorized but unissued capital stock; there are no options, warrants, conversion privileges or preemptive or other rights or agreements to which Milkyway is a party involving the purchase or other acquisition of any shares of Milkyway capital stock; there is no liability for dividends accrued but unpaid; and there are no voting agreements, registration rights, rights of first refusal or other restrictions applicable to any of Milkyway's outstanding securities.

3.5 Subsidiaries; Not a Subsidiary. Except for Milkyway Hanbai Kabushiki Kaisha ("Milkyway Hanbai"), which is a wholly-owned subsidiary of Milkyway, Milkyway does not have any subsidiaries or any equity interest, direct or indirect, in any corporation, partnership, limited liability company, joint venture or other business entity. Milkyway has never been a subsidiary of any corporation, partnership, limited liability company, joint venture or other business entity. Milkyway Hanbai currently is not engaged in any business, does not have any outstanding liabilities, and, to the best knowledge of each Stockholder, there are no facts indicating that Milkyway Hanbai has any outstanding or potential liability of any kind.

3.6 No Violation of Existing Agreements. Neither the execution and delivery of this Agreement or any Milkyway Ancillary Agreement, nor the consummation of the transactions provided for herein or therein, will conflict with, or (with or without notice or lapse of time, or both) result in a termination, breach, impairment or violation of, (a) any provision of the Articles of Incorporation or rules and regulations of Milkyway, as currently in effect, (b) any Material Agreement or (c) any national, prefecture, local or foreign judgment, writ, decree, order, statute, rule or regulation applicable to and that would have a material adverse effect on Milkyway or its assets or properties. The consummation of the Exchange will not require the consent of any third party and will not have a material adverse effect upon any such rights, licenses, franchises, leases or agreements pursuant to the terms of the Material Agreements other than as set forth in Item 3.6.

3.7 Litigation. Except as set forth in Item 3.7, there is no action, proceeding or investigation pending or, to Milkyway's knowledge, threatened against Milkyway before any court or administrative agency that, if determined adversely to Milkyway, may reasonably be expected to have a material adverse effect on the present or future operations or financial condition of Milkyway or in which the adverse party or parties seek to recover in excess of 5,000,000 yen from Milkyway. Except as set forth on Item 3.7 and except for rights under this Agreement and the Ancillary Agreements, there is no substantial basis for any person, firm, corporation or entity to assert a claim against Milkyway or the Stockholders (or Intuit after the Closing) based upon: (a) ownership or rights to ownership of any shares of Milkyway Stock or

(b) any rights as a Milkyway securities holder, including, without limitation, any option or other right to acquire any Milkyway securities, any preemptive rights or any rights to notice or to vote.

3.8 Milkyway Financial Statements. Milkyway has delivered to Intuit Milkyway's unaudited balance sheet as of November 30, 1995 (the "Balance Sheet Date"), Milkyway's unaudited income statement for the period from January 1, 1995 through November 30, 1995, Milkyway's unaudited balance sheets as of and Milkyway's unaudited income statements for the fiscal years ended December 31, 1994, 1993, and 1992 (collectively, the "Milkyway Financial Statements"). The Milkyway Financial Statements, in all material respects, (a) are in accordance with the books and records of Milkyway, (b) fairly and accurately represent the

financial condition of Milkyway at the respective dates specified therein and the results of operations for the respective periods specified therein in conformity with all applicable laws subject to adjustments required with respect to items (i) through (iv) below, and (c) except as set forth on Item 3.8, are in accordance with the Japanese Commercial Code except for omission of required footnotes. Except as set forth in Item 3.8, Milkyway has no material debt, liability or obligation of any nature, whether accrued, absolute, contingent or otherwise, and whether due or to become due, that is not reflected, reserved against or disclosed in the Milkyway Financial Statements, except for (i) employees' retirement benefit liability, (ii) directors' retirement benefit liability, (iii) allowance for doubtful accounts, (iv) maintenance contract obligations and (v) those that may have been incurred after the Balance Sheet Date in the ordinary course of its business. Item 3.8 includes a brief description (including size in yen) of items (i) through (iv) in the preceding sentence.

3.9 Taxes. Except as set forth in Item 3.9, Milkyway has filed all applicable tax and information returns required to be filed, has paid all taxes required to be paid in respect of all periods for which returns have been filed, has made all necessary estimated tax payments, and has no material liability for taxes in excess of the amount so paid. True, correct and complete copies of all such tax and information returns filed since fiscal year 1988 have been provided or made available by Milkyway to Intuit. Milkyway is not delinquent in the payment of any tax or in the filing of any tax returns, and no deficiencies for any tax have been threatened, claimed, proposed or assessed which have not been settled, paid or adequately provided for on Milkyway's financial statements, books and records. Except as set forth in Item 3.9, no tax return of Milkyway has ever been inspected by any taxing agency or authority. For the purposes of this Agreement, the terms "tax" and "taxes" include all applicable Japanese and foreign income, gains, franchise, excise, securities, property, sales, use, employment, license, payroll, occupation, recording, value added or transfer taxes, governmental charges, import, export and other fees, levies or assessments (whether payable directly or by withholding), and, with respect to such taxes, any estimated tax, interest and penalties or additions to tax and interest on such penalties and additions to tax.

3.10 Title to Properties. Milkyway has good and marketable title to all of its assets as shown on the balance sheet as of the Balance Sheet Date included in the Milkyway Financial Statements, free and clear of all liens, charges or encumbrances (other than for taxes not yet due and payable and Permitted Liens as defined below), other than such material assets, set forth on Item 3.10, as were sold by Milkyway in the ordinary course of business since the

Balance Sheet Date or which are subject to capitalized leases. "Permitted Liens" means any lien, mortgage, encumbrance or restriction which is reflected in the Milkyway Financial Statements and which does not materially detract from the value or materially interfere with the use, as currently utilized, of the properties subject thereto or affected thereby or otherwise materially impair the business operations being conducted thereon. There are no financing statements or similar encumbrances of record with any governmental administrative or judicial entity, naming Milkyway as debtor, except as set forth in Item 3.10. The machinery and equipment included in such assets are in all material respects in good condition and repair, normal wear and tear excepted, and all leases of real or personal property to which Milkyway is a party are fully effective and afford Milkyway peaceful and undisturbed possession of the subject matter of the lease. To the best knowledge of each Stockholder and Milkyway, Milkyway is not in violation of any material zoning, building, safety or environmental ordinance, regulation or requirement or other law or regulation applicable to the operation of owned or leased properties, and Milkyway has not received any notice of such violation with which it has not complied or had waived.

3.11 Absence of Certain Changes. Since the Balance Sheet Date, except as set forth in Item 3.11, there has not been with respect to Milkyway:

(a) any change in the financial condition, properties, assets, liabilities, business, results of operations or prospects of Milkyway, which change by itself or in conjunction with all other such changes, whether or not arising in the ordinary course of business, has had or can reasonably be expected to have a material adverse effect on Milkyway or its ability to conduct its operations as currently proposed by, and discussed between, Milkyway and Intuit;

(b) any contingent liability incurred by Milkyway as guarantor or surety with respect to the obligations of others;

(c) any material mortgage, encumbrance or lien placed on any of the properties of Milkyway;

(d) any new Material Agreement;

(e) any purchase or sale or other disposition, or any agreement or other arrangement for the purchase, sale or other disposition, of any of the properties or assets of Milkyway other than in the ordinary course of business

or in nonmaterial amounts;

(f) any damage, destruction or loss, whether or not covered by insurance, materially and adversely affecting the properties, assets or business of Milkyway;

(g) any declaration, setting aside or payment of any dividend on, or the making of any other distribution in respect of, the capital stock of Milkyway, any split, stock dividend, combination or recapitalization of the capital stock of Milkyway or any direct or indirect redemption, purchase or other acquisition by Milkyway of the capital stock of Milkyway;

(h) any material labor dispute or claim of material unfair labor practices, any change in the compensation payable or to become payable to any of Milkyway's officers, employees or agents earning compensation at an anticipated annual rate in excess of 5,000,000 yen (including any bonus payment or arrangement made to or with any of such officers, employees or agents); or any change in the compensation payable or to become payable to any of Milkyway's other officers, employees or agents other than normal annual raises in accordance with past practice or any bonus payment or arrangement made to or with any of such officers, employees or agents other than normal bonuses or compensation increases noted on Item 3.11(h) hereof or other arrangements made in accordance with past practices;

(i) any planned departure of which Milkyway is aware by any member of the management or key personnel of Milkyway (the management and other key personnel of Milkyway are listed on Item 3.11(i) hereof);

(j) any payment or discharge of a material lien or liability thereof, which lien or liability was not either (i) shown on the balance sheet as of the Balance Sheet Date included in the Milkyway Financial Statements or (ii) incurred in the ordinary course of business after the Balance Sheet Date; or

(k) any obligation or material liability incurred by Milkyway to any of its officers, directors or shareholders, or any loans or advances made to any of its officers, directors, shareholders or affiliates, except normal compensation and expense allowances payable to officers.

3.12 Agreements and Commitments. Except as set forth in Item 3.12 delivered by Milkyway to Intuit herewith, Milkyway is not a party or subject to any oral or written executory agreement, obligation or commitment that is described below (collectively, the "Material Agreements"):

(a) Any contract, commitment, letter agreement, quotation or purchase order providing for payments by or to Milkyway in an aggregate amount of (i) 10,000,000 yen or more in the ordinary course of business or (ii) 5,000,000 yen or more not in the ordinary course of business;

(b) Any license agreement as licensor or licensee (except for any nonexclusive software license granted by Milkyway to end-user customers where the form of the license, excluding standard immaterial deviations, has been provided to Intuit's counsel);

(c) Any other agreement by Milkyway to encumber, transfer or sell rights in or with respect to any Milkyway Intellectual Property;

(d) Any agreement for the sale, lease or encumbrance of real or personal property involving more than 1,000,000 yen per year;

(e) Any dealer, distributor, sales representative, original equipment manufacturer, value added remarketer or other agreement for the distribution of Milkyway's products;

(f) Any franchise agreement or financing statement;

(g) Any stock redemption or purchase agreement;

(h) Any joint venture agreement, merger agreement or agreement to transfer or purchase all or substantially all of Milkyway's or a third party's business or assets, or any other agreement that involves a sharing of profits with, or lease or entrustment of business to, other persons;

(i) Any instrument evidencing indebtedness for borrowed money by way of direct loan, sale of debt securities, purchase money obligation, conditional sale, guarantee or otherwise, except for trade indebtedness or any advance to any employee of Milkyway incurred or made in the ordinary course of business, and except as disclosed in the Milkyway Financial Statements;

(j) Any contract containing covenants purporting to limit Milkyway's freedom to compete in any line of business in any geographic area;

(k) Any other material agreement by which Milkyway has assigned

any rights under Milkyway Intellectual Property (as defined below) to any other party, has waived any rights to prevent infringing use of Milkyway Intellectual Property, or any other party has assigned any intellectual property rights of a third party to Milkyway; or

(l) Any other agreement by which Milkyway, or another party to a legal proceeding (including infringement claims) involving Milkyway, has waived its rights in the legal proceeding.

Each Material Agreement listed in Item 3.12 is valid and in full force and effect in all material respects, and except as expressly noted, a true and complete copy of which has been delivered to Intuit or Intuit's counsel. Except as noted on Item 3.12, neither Milkyway nor, to the knowledge of Milkyway and the Stockholders, any other party is in breach of or default under any material term of any Material Agreement. The Stockholders and Milkyway are not a party to any contract or arrangement that they reasonably expect will have a material adverse effect on Milkyway's business or prospects.

3.13 Intellectual Property and Products. Milkyway owns all right, title and interest in, or has the right to use, all worldwide industrial and intellectual property rights, including, without limitation, patent applications, patents, patent rights, trademark applications, trademarks, service marks, trade names, service mark applications, trade dress, moral rights, copyright applications, copyrights, licenses, inventions, trade secrets, know-how, customer lists, proprietary processes and formulae, software source and object code, algorithms, architecture, structure, display screens, layouts,

development tools, all documentation and media constituting, describing or relating to the above, without limitation, manuals, memoranda and records and other intellectual property and proprietary rights used in or reasonably necessary to the conduct of its business as presently conducted and the business of the development, production, marketing, licensing and sale of commercial products using such intellectual property and proprietary rights ("Milkyway Intellectual Property"). All Milkyway Intellectual Property developed by Hidemoto Yoshii, Toshikazu Nakamura, Masashi Miki, Taku Okazaki and Milkyway's employees was developed by such persons in the course of Milkyway's business and not by them in their individual capacity and such individuals do not have any interest in or rights to any Milkyway Intellectual Property. Milkyway has taken all reasonable measures to protect all Milkyway Intellectual Property, and, except as set forth on Item 3.13, Milkyway is not aware of any infringement of any Milkyway Intellectual Property by any third party. Set forth on Item 3.13 delivered to Intuit herewith is a true and complete list of all copyright, mask work, trademark and service mark registrations and applications and all patents and patent applications for Milkyway Intellectual Property owned by Milkyway. Milkyway is not aware of any material loss, cancellation, termination or expiration of any such registration or patent except as set forth on Item 3.13. The business of Milkyway as conducted as of the date hereof does not, and its Published Products (as defined below) do not, and, to the best knowledge of the Stockholders and Milkyway, the business of the development, production, marketing, licensing and sale of Products Under Development (as defined below) after the Closing Date will not cause Milkyway to, infringe or violate any of the patents, trademarks, service marks, trade names, mask works, copyrights, trade secrets, proprietary rights or other intellectual property of any other person, and Milkyway has not received any written or oral claim or notice of infringement or potential infringement of the intellectual property of any other person which could be expected to have a material adverse effect on Milkyway's business. Milkyway has the right to manufacture all of its Products (as defined below and set forth on Item 3.13) and the right to use all of its Development Tools (as defined below and set forth on Item 3.13), and to its knowledge, is not using any confidential information or trade secrets of any former employer of any past or present employees. Item 3.13 contains a complete list and brief description of (a) all of the software products published and/or distributed by Milkyway (the "Published Products") and all products under development or consideration by Milkyway with a scheduled public availability date on or prior to December 31, 1996 (the "Products Under Development," collectively with the Published Products referred to as the "Products") and (b) all of the software development tools used or intended to be used by Milkyway in the development of any of the Products, except for any such tools that are generally available and are used in their generally available form (such as standard compilers) (the "Development Tools").

3.14 Compliance with Laws. Except as set forth in Item 3.14 and except where the failure to comply would not have a material adverse effect on the business, operations or financial conditions of Milkyway, Milkyway has complied, or prior to the Closing Date will have complied, and is or will be at the Closing Date in full compliance, in all respects material to Milkyway, with all applicable laws, ordinances, regulations and rules, and all orders, writs, injunctions, awards, judgments and decrees, applicable to Milkyway or to the assets, properties and business of Milkyway, including, without limitation: (a) all applicable securities laws and regulations, (b) all applicable national, prefecture and local laws, ordinances and regulations, and all orders, writs, injunctions, awards, judgments and decrees, pertaining to (i) the sale, licensing, leasing, ownership or management of Milkyway's owned, leased or licensed real or personal property, products or technical data, (ii)

employment or employment practices, terms and conditions of employment, or wages and hours or (iii) safety, health, fire prevention, environmental protection, building standards, zoning or other similar matters, (c) the Japanese export regulations or (d) all applicable foreign exchange control laws. Milkyway has received all material permits and approvals from, and has made all material filings with, third parties, including government agencies and authorities, that are necessary to the conduct of its business as presently conducted.

3.15 Certain Transactions and Agreements. Except as set forth in Item 3.15, no person who is a Stockholder, officer or director of Milkyway, or a member of any Stockholder's, officer's or director's immediate family, has any direct or indirect ownership interest in or any employment or consulting agreement with any firm or corporation that competes with Milkyway or Intuit (except with respect to any interest in less than 1% of the outstanding voting shares of any corporation whose stock is publicly traded). Except as set forth in Item 3.15, no person who is a Stockholder, officer or director of Milkyway, or any member of any Stockholder's, officer's or director's immediate family, is directly or indirectly interested in any material contract or informal arrangement with Milkyway, except for compensation for services as an officer, director or employee of Milkyway and except for the normal rights of a shareholder. Except as set forth in Item 3.15, none of such Stockholders, officers or directors or family members has any interest in any property, real or personal, tangible or intangible, including, without limitation, inventions, patents, copyrights, trademarks, trade names or trade secrets used in the business of Milkyway, except for the normal rights of a shareholder.

3.16 Employees.

3.16.1 Except as set forth in Item 3.16.1, Milkyway has no employment contract or material consulting agreement currently in effect (other than agreements with the sole purpose of providing for the confidentiality of proprietary information or assignment of inventions).

3.16.2 Milkyway (a) has never been and is not now subject to a union organizing effort, (b) is not subject to any collective bargaining agreement with respect to any of its employees, (c) is not subject to any other contract, written or oral, with any trade or labor union, employees' association or similar organization, and (d) has no material current labor dispute. Milkyway has no knowledge that any of its key development employees and its key officers (each of whom is listed on Item 3.16.2) intends to leave its employ.

3.16.3 Item 3.16.3 delivered by Milkyway to Intuit herewith contains a list of all Employee Plans. Milkyway has delivered true and complete copies or descriptions of all the Employee Plans to Intuit. Except as set forth in Item 3.16.3, each of the Employee Plans, and its operation and administration, is, in all material respects, in compliance with all applicable, national, federal, prefecture, local and other governmental laws and ordinances, orders, rules and regulations.

3.16.4 To Milkyway's knowledge, no employee of Milkyway is in material violation of (a) any term of any employment contract, patent disclosure agreement or

noncompetition agreement or (b) any other contract or agreement, or any restrictive covenant, relating to the right of any such employee to be employed by Milkyway or to use trade secrets or proprietary information of others. To Milkyway's knowledge, the mere fact of employment of any employee of Milkyway does not subject Milkyway to any liability to any third party.

3.16.5 Except as set forth in Item 3.16.5, Milkyway is not a party to any (a) agreement with any executive officer or other employee of Milkyway (i) the benefits of which are contingent, or the terms of which are materially altered, upon the occurrence of a transaction involving Milkyway in the nature of any of the transactions contemplated by this Agreement, (ii) providing any term of employment or compensation guarantee or (iii) providing severance benefits or other benefits after the termination of employment of such employee regardless of the reason for such termination of employment (provided that Milkyway's taishoku-kin plan described in Item 3.16.5 is not considered a severance plan), or (b) agreement or plan, including, without limitation, any stock option plan, stock appreciation rights plan or stock purchase plan, any of the benefits of which will be materially increased, or the vesting of benefits of which will be materially accelerated, by the occurrence of any of the transactions contemplated by this Agreement or the value of any of the benefits of which will be calculated on the basis of any of the transactions contemplated by this Agreement.

3.16.6 A list of all employees, officers and development consultants of Milkyway and their current compensation and benefits as of November 30, 1995 is set forth on Item 3.16.6.

3.16.7 All contributions due from Milkyway with respect to any of the Employee Plans have been made or accrued on the Milkyway Financial

Statements, and no further contributions will be due or will have accrued thereunder as of the Closing Date.

3.17 Corporate Documents. Milkyway has made available to Intuit for examination all documents and information listed in Items 3.1 through 3.24 or other exhibits called for by this Agreement which have been requested by Intuit's legal counsel, including, without limitation, the following: (a) copies of Milkyway's Articles of Incorporation as currently in effect; (b) Milkyway's minute book containing all records of all proceedings, consents, actions and meetings of Milkyway's directors and shareholders since January 1, 1993; (c) Milkyway's stock ledger, journal and other records reflecting all stock issuances and transfers; and (d) all permits, orders and consents issued by any regulatory agency with respect to Milkyway, or any securities of Milkyway, and all applications for such permits, orders and consents. Milkyway does not possess records of director or shareholder actions prior to 1993. Milkyway has no corporate documents other than its Articles of Incorporation.

3.18 No Brokers. Except as otherwise described in Item 3.18, Milkyway and the Stockholders are not obligated for the payment of fees or expenses of any investment banker, broker or finder in connection with the origin, negotiation or execution of this Agreement or in connection with any transaction provided for herein or therein.

3.19 Disclosure. This Agreement, its exhibits and any of the certificates or documents to be delivered by Milkyway to Intuit under this Agreement, taken together, do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained herein and therein, in light of the circumstances under which such statements were made, not misleading.

3.20 Information Supplied. None of the information supplied or to be supplied in writing by Milkyway or the Stockholders to Intuit, including the statements in this Section 3 (as qualified by the Disclosure Schedule), contains or will contain any untrue statement of a material fact or omits or will omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading.

3.21 Books and Records. The books, records and accounts of Milkyway (a) are in all material respects true and complete, (b) have been maintained in accordance with reasonable business practices on a basis consistent with prior years, (c) are stated in reasonable detail and accurately and fairly reflect the transactions and dispositions of the assets of Milkyway and (d) accurately and fairly reflect the basis for the Milkyway Financial Statements.

3.22 Insurance. Milkyway maintains fire and casualty, workers compensation and general liability insurance as listed on Item 3.22.

3.23 Environmental Matters.

3.23.1 During the period that Milkyway has leased the premises currently occupied by it and those premises occupied by it since the date of its incorporation, Milkyway has not caused any and to its actual knowledge, there have been no disposals, releases or threatened releases of hazardous materials from or any presence thereof on any such premises that would have a material adverse effect upon the business or financial statements of Milkyway. Milkyway has no knowledge of any presence, disposals, releases or threatened releases of hazardous materials on or from any of such premises, which may have occurred prior to Milkyway having taken possession of any of such premises that would have a material adverse effect upon the business or financial statements of Milkyway.

3.23.2 To its knowledge, none of the premises currently leased by Milkyway or any premises previously occupied by Milkyway is in material violation of any national, prefecture or local law, ordinance, regulation or order relating to industrial hygiene or to the environmental conditions in such premises.

3.23.3 During the time that Milkyway has leased the premises currently occupied by it or any premises previously occupied by Milkyway, neither Milkyway nor, to Milkyway's knowledge, any third party, has used, generated, manufactured or stored in such premises or transported to or from such premises any hazardous materials that would have a material adverse effect upon the business or financial statements of Milkyway.

3.23.4 During the time that Milkyway has leased the premises currently occupied by it or any premises previously occupied by Milkyway, there has been no litigation, proceeding or administrative action brought or threatened in writing against Milkyway, or any settlement reached by Milkyway with, any party or parties alleging the presence, disposal, release or threatened release of any hazardous materials on, from or under any of such premises.

3.24 Securities Matters.

3.24.1 Each Stockholder, together with the Stockholder's advisors, is fully aware that the Exchange Shares he or she will receive will be received under an exemption from registration provided for in Regulation S, that he or she will acquire the Exchange Shares without being offered or furnished any offering literature or prospectus other than the Intuit Disclosure Package, that this transaction has not been approved or reviewed by the SEC or by any administrative agency charged with the administration of the securities law of any state.

3.24.2 Each Stockholder, together with the Stockholder's advisors, has such knowledge and experience in financial and business matters that he or she is capable of evaluating the merits and risks of the Exchange, the Exchange Shares and the transactions related thereto.

3.24.3 Each Stockholder confirms that he or she understands and has fully considered for purposes of this investment the risks of this investment and that (i) this investment is suitable only for an investor who is able to bear the economic consequences of losing his or her entire investment, (ii) the Exchange Shares are a speculative investment which involves a high degree of risk of loss by Stockholder of his or her investment therein, and (iii) for a period of not less than forty (40) days from the issuance of the Exchange Shares, there are substantial restrictions on the transferability of the Exchange Shares, and accordingly, it may not be possible for any Stockholder to liquidate his or her investment in the case of emergency.

3.24.4 Each Stockholder confirms that he or she is able (i) to bear the economic risk of this investment and (ii) to hold the Exchange Shares for a period of time, not less than forty (40) days from the issuance of the Exchange Shares.

3.24.5 Each Stockholder confirms that his or her representatives and advisors, including The Kamakura Corporation, have been given the opportunity to ask questions of, and to receive answers from, persons acting on behalf of Milkyway and Intuit concerning the terms and conditions of the Exchange and the business prospects of Milkyway and Intuit, and to obtain any additional information, to the extent such persons possess such information or can acquire it without unreasonable effort or expense and without breach of confidentiality obligations, necessary to verify the accuracy of the information set forth or incorporated by reference in the Intuit Disclosure Package.

3.24.6 Each Stockholder understands that the Exchange Shares have not been registered under the Securities Act and he or she agrees that the Exchange Shares may not be sold, transferred, or otherwise disposed of except pursuant to an exemption from registration under the Securities Act, including Regulation S.

3.24.7 Each Stockholder understands the effect of the limitations on disposition and of its representation that the Exchange Shares will not be sold, transferred or otherwise disposed of except pursuant to an exemption from registration under the Securities Act.

3.24.8 Each Stockholder is not a U.S. Person as defined in Rule 902(o) of Regulation S under the Securities Act. That rule defines a "U.S. Person" to mean (i) any natural person resident in the United States; (ii) any partnership or corporation organized or incorporated under the laws of the United States; (iii) any estate of which any executor or administrator is a U.S. person; (iv) any trust of which any trustee is a U.S. person; (v) any agency or branch of a foreign entity located in the United States; (vi) any nondiscretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organized, incorporated or (if an individual) resident in the United States; and (viii) any partnership or corporation if: (A) organized or incorporated under the laws of any foreign jurisdiction; and (B) formed by a U.S. person principally for the purpose of investing in securities not registered under the Act, unless it is organized or incorporated, and owned, by accredited investors (as defined in Rule 501(a) under the Securities Act) who are not natural persons, estates or trusts.

3.24.9 Each Stockholder understands that the Exchange Shares may not be sold or transferred to a U.S. Person for a period of forty (40) days from the date of issuance of the Exchange Shares.

4. REPRESENTATIONS AND WARRANTIES OF INTUIT

Intuit hereby represents and warrants that:

4.1 Organization and Good Standing. Intuit is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has the corporate power and authority to own, operate and lease its properties and to carry on its business as now conducted.

4.2 Power, Authorization and Validity.

4.2.1 Intuit has full power and authority to enter into and perform its obligations under this Agreement and the Intuit Ancillary Agreements. The execution, delivery and performance of this Agreement and the Intuit Ancillary Agreements have been duly and validly approved and authorized by Intuit's Board of Directors. No vote of Intuit's shareholders is required under applicable law or under the Certificate of Incorporation or Bylaws of Intuit.

4.2.2 No filing, authorization or approval, governmental or otherwise, is necessary to enable Intuit to enter into, and to perform its obligations under, this Agreement and the Intuit Ancillary Agreements, except for such filings as may be required to comply with federal and state securities laws in the United States and securities laws and foreign exchange laws in Japan, which will be completed as follows: (1) Intuit may file a post-effective amendment to its registration statement for its 1993 Equity Incentive Plan, (2) Intuit will file a

security notification and a security registration statement under the Japanese Security Exchange Law, and (3) Intuit may file a post facto report and a prior notification under the Japanese Foreign Exchange Control Law.

4.2.3 This Agreement and the Intuit Ancillary Agreements are, or when executed by Intuit will be, valid and binding obligations of Intuit, enforceable against Intuit in accordance with their respective terms, except as to the effect, if any, of (a) applicable bankruptcy and other similar laws affecting the rights of creditors generally, and (b) rules of law governing specific performance, injunctive relief and other equitable remedies.

4.3 Capitalization. The authorized capital stock of Intuit consists of 60,000,000 shares of Intuit Common Stock, $0.01 par value, of which approximately 44,347,470 shares were issued and outstanding and 4,377 shares were held by Intuit in its treasury as of November 30, 1995, and 3,000,000 shares of Intuit Preferred Stock, $0.01 par value, of which no shares are issued and outstanding. When the Exchange Shares are issued in accordance with this Agreement, the Exchange Shares will be duly authorized and validly issued, fully paid and nonassessable.

4.4 No Violation of Certificate or Laws. Neither the execution nor delivery of this Agreement or any Intuit Ancillary Agreement, nor the consummation of the transactions contemplated hereby or thereby, will conflict with, or (with or without notice or lapse of time, or both) result in a termination, breach, impairment or violation of (a) any provision of the Certificate of Incorporation or Bylaws of Intuit, as currently in effect, or (b) any federal, state, local or foreign judgment, writ, decree, order, statute or regulation applicable to and that would have a material adverse effect on Intuit or its assets or properties.

4.5 Disclosure. Intuit has furnished Milkyway with complete and accurate copies of its quarterly reports on Form 10-Q for the fiscal quarters ended October 31, 1994, January 31, 1995, April 30, 1995, and October 31, 1995, its annual report on form 10-K for its fiscal year ended July 31, 1994, its annual report on Form 10-K and Form 10-K/A for its fiscal year ended July 31, 1995, its Form 8-K and 8-K/A-1 filed for an event occurring on September 27, 1994, its proxy statement for its special shareholders meeting held on April 10, 1995, its proxy statement for its annual shareholders meeting held on June 20, 1995, its prospectus for a public offering of 1,100,000 (pre stock split) shares of its Common Stock dated June 20, 1995, and all other reports or documents required to be filed by Intuit pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended since the filing of the most recent quarterly report on Form 10-Q (the "Intuit Disclosure Package"). All documents contained in the Intuit Disclosure Package and filed with the SEC (including all financial statements included therein) comply in all material respects with the applicable SEC rules and regulations relating thereto, and as of the date of this Agreement no additional filing or amendment to any previous filing is required under such rules and regulations. The Intuit Disclosure Package, this Agreement, the exhibits and schedules hereto, any certificates or documents to be delivered to Milkyway pursuant to this Agreement, and any written materials provided by Intuit to The Kamakura Corporation as agent for and advisor to the Stockholders and Milkyway when taken together, do not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements contained herein and therein, in light of the

circumstances under which such statements were made, not misleading at the time the statement was made or at the Closing Date. The financial statements of Intuit included in the Intuit Disclosure Package

complied, at the time of filing with the SEC, as to form, in all material respects, with applicable accounting requirements and published rules and regulations of the SEC with respect thereto, were prepared in accordance with generally accepted accounting principles, applied on a consistent basis during the periods involved, and fairly presented, in all material respects (subject, in the case of unaudited statements, to normal, recurring year-end audit

adjustments) the financial position of Intuit as of the dates thereof and the results of its operations and changes in financial position for the periods then ended.

4.6 No Brokers. Intuit is not obligated for the payment of fees or expenses of any investment banker, broker or finder in connection with the origin, negotiation or execution of this Agreement or in connection with any transaction provided for herein or therein.

4.7 Pooling. Intuit is not aware of any fact now existing relating to Intuit, or which may arise before the Closing as a result of facts now existing relating to Intuit, which would make Ernst & Young unable to deliver the letter described in Section 9.9.

5. STOCKHOLDER AND MILKYWAY COVENANTS

During the period from the date of this Agreement until the Closing Date, the Stockholders and Milkyway each individually covenant to and agree with Intuit as follows:

5.1 Advice of Changes. Milkyway will promptly advise Intuit in writing (a) of any event occurring subsequent to the date of this Agreement that would render any representation or warranty of the Stockholders or Milkyway contained in this Agreement, if made on or as of the date of such event or the Closing Date, untrue or inaccurate in any material respect and (b) of any material adverse change in Milkyway's financial condition, properties, assets, liabilities, business, results of operations or prospects.

5.2 Maintenance of Business. The Stockholders and Milkyway understand and acknowledge that it is their intent to work closely together with Intuit during the period from the date hereof until the Closing Date. If a Stockholder or Milkyway becomes aware of a material deterioration in the relationship with any material customer, supplier or key employee, it will promptly bring such information to the attention of Intuit in writing and, if requested by Intuit, will exert all reasonable efforts to restore the relationship.

5.3 Conduct of Business. Except as provided otherwise herein or as approved or recommended by Intuit, the Stockholders will cause Milkyway to, and Milkyway agrees to, continue to conduct its business and maintain its business relationships in the ordinary and usual course and the Stockholders will not permit Milkyway to, and Milkyway agrees that it will not, without the prior written consent of the President of Intuit, not to be unreasonably withheld:

(a) borrow any money except in the ordinary course of business consistent with past practice;

(b) enter into any transaction not in the ordinary course of business or enter into any transaction or make any commitment involving an expense of Milkyway or capital expenditure by Milkyway in excess of 2,500,000 yen;

(c) encumber or permit to be encumbered any of its assets except in the ordinary course of its business consistent with past practice;

(d) dispose of any of its material assets except in the ordinary course of business consistent with past practice and except as disclosed in Item 3.11;

(e) enter into any material lease or contract for the purchase or sale of any property, real or personal, tangible or intangible, except in the ordinary course of business consistent with past practice;

(f) fail to maintain its equipment and other assets in good working condition and repair according to the standards it has maintained to the date of this Agreement, subject only to ordinary wear and tear;

(g) pay any bonus, royalty, increased salary (except for annual increases in the ordinary course of business consistent with past practice and disclosed to Intuit in writing) or special remuneration to any officer, employee or consultant (except pursuant to existing arrangements heretofore disclosed in writing to Intuit) or enter into any new employment or consulting agreement with any such person, or enter into any new agreement or plan of the type described in Section 3.16.3;

(h) change accounting methods except as necessitated by changes which Milkyway is required to make in order to prepare its applicable tax returns;

(i) declare, set aside or pay any cash or stock dividend or other distribution in respect of capital stock, or redeem or otherwise acquire any of its capital stock (except pursuant to agreements disclosed herein to Intuit);

(j) amend or terminate any contract, agreement or license to which it is a party (except pursuant to arrangements previously disclosed to Intuit in writing) except those amended or terminated in the ordinary course of business, consistent with past practice, and which are not material in amount or effect; provided, however, that, prior to the Closing Date (1) the consulting agreement between Milkyway and Shiizu K.K., dated November 1, 1995, and the consulting agreement between Milkyway and Kenji Morioka, d/b/a/ Earth Themia, shall be terminated no later than December 31, 1995 and no further payments by Milkyway under such agreements will be due, and (2) the term of the agreement between Milkyway and Toshikazu Nakamura regarding accounting services shall be renewed through December 31, 1996;

(k) lend any amount to any person or entity, other than advances for travel and expenses which are incurred in the ordinary course of business consistent with past practice, which travel and expenses shall be documented by receipts for the claimed amounts;

(l) guarantee or act as a surety for any obligation except for the endorsement of checks and other negotiable instruments in the ordinary course of business, consistent with past practice;

(m) waive or release any material right or claim except in the ordinary course of business, consistent with past practice;

(n) issue or sell any shares of its capital stock of any class or any other of its securities, or issue or create any warrants, obligations, subscriptions, options, convertible securities, stock appreciation rights or other commitments to issue shares of capital stock, or take any action other than this transaction to accelerate the vesting of any outstanding option or other security (except pursuant to existing arrangements disclosed in writing to Intuit before the date of this Agreement);

(o) split or combine the outstanding shares of its capital stock of any class or enter into any recapitalization affecting the number of outstanding shares of its capital stock of any class or affecting any other of its securities;

(p) merge, consolidate or reorganize with, or acquire any entity;

(q) amend its Articles of Incorporation or rules and regulations except as may be required by law;

(r) agree to any audit assessment by any tax authority or file any applicable income or franchise tax return unless copies of such returns have been delivered to Intuit for its review prior to filing;

(s) license any of Milkyway's technology or any Milkyway Intellectual Property, except in the ordinary course of business consistent with past practice;

(t) change any insurance coverage except in the ordinary course of business consistent with past practice;

(u) terminate the employment of any key employee listed in Item 3.11(i); or

(v) agree to do any of the things described in the preceding clauses 5.3(a) through 5.3(u).

5.4 Certain Agreements. The Stockholders and Milkyway will cause (i) the Major Stockholders, all Milkyway Directors and all Milkyway employees of the seniority of kacho and above engaged in development, engineering, programming and/or related activities to execute a Japanese language version (titled "Agreement") of the employee invention assignment and confidentiality agreement with Milkyway attached hereto as Exhibit F to become effective at the Closing (the "Invention Assignment Agreement"), and (ii) all present employees of and

consultants to Milkyway engaged in development, engineering, programming and/or related activities to execute the Invention Assignment Agreement no later than January 19, 1996.

5.5 Regulatory Approvals. The Stockholders and Milkyway will execute and file, or join in the execution and filing, of any application or other document that may be necessary in order to obtain the authorization, approval or consent of any governmental body, national, federal, prefecture, local or foreign, which may be reasonably required, or which Intuit may reasonably request, in connection with the consummation of the transactions provided for in this Agreement. The Stockholders and Milkyway will use all reasonable efforts to obtain or assist Intuit in obtaining all such authorizations, approvals and consents.

5.6 Necessary Consents. The Stockholders and Milkyway will use all

reasonable efforts to obtain such written consents and take such other actions as may be necessary or appropriate for them, in addition to those set forth in Section 5.5, to facilitate and allow the consummation of the transactions provided for herein.

5.7 Litigation. The Stockholders will cause Milkyway to, and Milkyway agrees that it will notify Intuit in writing promptly after learning of any action, suit, proceeding or investigation by or before any court, board or governmental agency, initiated by or against Milkyway or threatened against it.

5.8 No Other Negotiations. From the date hereof until the termination of this Agreement (provided such termination is not a breach by Milkyway of this Agreement) or the consummation of the Exchange, the Stockholders and Milkyway agree that they will not, and will not authorize any officer, director, employee or affiliate of Milkyway, or any other person, on their behalf, directly or indirectly, to (a) solicit, facilitate, discuss or encourage any offer, inquiry or proposal received from any party other than Intuit, concerning the possible disposition of all or any substantial portion of Milkyway's business, assets or capital stock by exchange, sale or any other means or to otherwise solicit, facilitate, discuss or encourage any such disposition (other than the Exchange), or (b) provide any confidential information to or negotiate with any third party other than Intuit in connection with any offer, inquiry or proposal concerning any such disposition. The Stockholders and Milkyway immediately will notify Intuit of any such offer, inquiry or proposal, the identity of the person making the offer, inquiry or proposal and the terms thereof.

5.9 Access to Information. Until the Closing Date and subject to the terms and conditions of the Confidentiality Agreement, the Stockholders will cause Milkyway to, and Milkyway agrees that it will provide Intuit and its agents with reasonable access to the files, books, records and offices of Milkyway, including, without limitation, any and all information relating to Milkyway taxes, commitments, contracts, leases, licenses, real, personal and intangible property, and financial condition, and specifically including, without limitation, access to Milkyway object code reasonably necessary for Intuit to complete its diligence review of the Milkyway products and technology. The Stockholders will cause Milkyway to, and Milkyway agrees that it will cause its accountants to cooperate with Intuit and its agents in making available

all financial information reasonably requested, including without limitation the right to examine all working papers pertaining to all financial statements prepared by such accountants.

5.10 Satisfaction of Conditions Precedent. The Stockholders and Milkyway will use all reasonable efforts to satisfy or cause to be satisfied all the conditions precedent which are set forth in Section 8, and the Stockholders and Milkyway will use all reasonable efforts to cause the transactions provided for in this Agreement to be consummated, and, without limiting the generality of the foregoing, to obtain all consents and authorizations of third parties and to make all filings with, and give all notices to, third parties that may be necessary or reasonably required on its part in order to effect the transactions provided for herein.

5.11 Securities Laws. The Stockholders and Milkyway shall use all reasonable efforts to assist Intuit to the extent requested by Intuit in writing necessary to comply with the securities laws of all jurisdictions applicable in connection with the Exchange.

5.12 Milkyway Affiliates Agreements. Concurrently with the execution of this Agreement Milkyway shall deliver a letter to Intuit identifying all Milkyway directors, officers, ten percent or greater shareholders and all other persons who are "affiliates" of Milkyway within the meaning of Rule 145 or Rule 405 promulgated under the 1933 Act at the time this agreement is executed (the "Milkyway Affiliates"), and a list of all Milkyway Affiliates will be delivered by Milkyway to Intuit at the Closing. The Stockholders and Milkyway shall cause each of the Milkyway Affiliates to execute and deliver to Intuit, on or prior to Closing, a written agreement (the "Milkyway Affiliates Agreement") in substantially the form of Exhibit G. In addition, the Stockholders and Milkyway shall cause each person who may become a Milkyway Affiliate after the date of this Agreement and before the Closing Date to execute and deliver to Intuit a Milkyway Affiliates Agreement.

5.13 Pooling. Following the Closing Date, the Stockholders and Milkyway shall not take (a) any of the actions described in Exhibit H or (b) any other action if, prior to taking such action, the Stockholders and Milkyway have been informed by Intuit or its accountants that, in the reasonable opinion of Intuit or Intuit's accountants, taking such action may preclude Intuit from accounting for the Exchange as a "pooling of interests" for accounting purposes and Intuit or its accountants promptly give the Stockholders and Milkyway a writing that states in reasonable detail the action that Intuit or its accountants request the Stockholders and Milkyway not to take. The Stockholders may borrow from a lending institution on a full recourse basis up to One Million U.S. dollars (US$1,000,000) secured by their Exchange Shares (but not the Escrow Shares). The Stockholders and Milkyway shall cooperate with

Intuit to cause the Exchange to be accounted for as a pooling of interests for accounting purposes.

5.14 Assignment of Copyrights. Each of (i) Hidemoto Yoshii, Yoshikazu Nakamura, and Masashi Miki, and (ii) Taku Okazaki shall execute an Assignment of Copyright in the forms attached hereto as Exhibit I-1 and Exhibit I-2, respectively (collectively, the "Assignment of Copyright"), and such assignments shall have been duly registered pursuant to the Copyright Law of Japan prior to the Closing Date.

5.15 Resale of Exchange Shares. Each Stockholder has read and understood the legends regarding resale restrictions as set forth in Section 7.3, agrees to abide by such restrictions and understands that the Company may issue "stop transfer" instructions to its transfer agent to prevent any transfers of the Exchange Shares received by the undersigned in violation of such restrictions and investors' representations set forth in Section 3.24.

5.16 Shareholder Resolution. Prior to December 31, 1995, the Stockholders shall convene an extraordinary general meeting and adopt resolutions in the form attached hereto as Exhibit 0.

5.17 Miki Agreement. Masashi Miki shall have executed an agreement (the "Miki Agreement") with Intuit in the form attached hereto as Exhibit P.

6. INTUIT COVENANTS

During the period from the date of this Agreement until the Closing, Intuit covenants to and agrees with the Stockholders and Milkyway as follows:

6.1 Access to Information. Until the Closing Date, Intuit's senior executives will meet with the Milkyway management team, discuss strategy and present publicly available financial community projections for Intuit's future performance, but will not provide material nonpublic information of Intuit which would inhibit trading by Milkyway management. Intuit will provide material nonpublic information, including internal projections, solely to The Kamakura Corporation in its role as agent for and advisor to the Stockholders and pursuant to the Confidentiality Agreement.

6.2 Advice of Changes. Intuit will promptly advise the Stockholders and Milkyway in writing (a) of any event occurring subsequent to the date of this Agreement that would render any representation or warranty of Intuit contained in this Agreement, if made on or as of the date of such event and the Closing Date, untrue or inaccurate in any material respect and (b) of any material adverse change in Intuit's business, results of operations or financial condition. In addition, Intuit will promptly deliver to the Stockholders' and Milkyway's legal counsel a copy of each filing made with the SEC prior to the Closing.

6.3 Satisfaction of Conditions Precedent. Intuit will use all reasonable efforts to satisfy or cause to be satisfied all the conditions precedent which are set forth in Section 9, and Intuit will use all reasonable efforts to cause the transactions provided for in this Agreement to be consummated, and, without limiting the generality of the foregoing, to obtain all consents and authorizations of third parties and to make all filings with, and give all notices to, third parties that may be necessary or reasonably required on its part in order to effect the transactions provided for herein.

6.4 Regulatory Approvals. Intuit will execute and file, or join in the execution and filing, of any application or other document that may be necessary in order to obtain the authorization, approval or consent of any governmental body, national, federal, state, local or foreign, which may be reasonably required, or which the Stockholders and Milkyway may

reasonably request, in connection with the consummation of the transactions provided for in this Agreement. Intuit will use all reasonable efforts to obtain all such authorizations, approvals and consents.

6.5 Intuit Affiliates Agreements. To facilitate the treatment of the Exchange for accounting purposes as a "pooling of interests," Intuit will use all reasonable efforts to cause each of its affiliates to execute and deliver to Intuit, a written agreement (the "Intuit Affiliates Agreement") in substantially the form of Exhibit J.

6.6 Litigation. Intuit will notify the Stockholders and Milkyway in writing promptly after learning of any material action, suit, proceeding or investigation by or before any court, board or governmental agency, initiated by or against Intuit or threatened against it.

6.7 Securities Laws. Intuit shall use all reasonable efforts to assist Milkyway and the Stockholders to the extent requested by them in writing necessary to comply with the securities of all jurisdictions applicable in connection with the Exchange.

7. CLOSING MATTERS

7.1 The Closing. Subject to the termination of this Agreement as provided in Section 10 below, the closing of the transactions provided for herein (the "Closing") will take place at the offices of Fenwick & West, Two Palo Alto Square, Suite 400, Palo Alto, California 94306 at 4:30 p.m., local time, on January 2, 1996, or, if all conditions to Closing have not been satisfied or waived by such date, such other time and date as Milkyway, Intuit and the Stockholders may mutually select (the "Closing Date").

7.2 Exchanges at Closing.

7.2.1 At the Closing, each Stockholder (a) will deliver to Intuit: (i) the Milkyway Certificate(s) representing the shares of Milkyway Stock held of record or beneficially owned by such Stockholder for the transfer to Intuit, (ii) written stock transfer forms separate from the Milkyway Certificate(s), duly executed by such Stockholder and assigning and transferring all such shares to Intuit, and (iii) a completed and executed form W-8; and (b) will deliver to Chemical Mellon Shareholder Services LLC (the "Escrow Agent") a duly endorsed stock power for the Escrow Shares in the form of Attachment B to the Escrow Agreement.

7.2.2 Upon receipt of the documents described in Section 7.2.1, Intuit will direct the Escrow Agent: (a) to issue (and deliver to the Citibank, N.A. account specified on Exhibit A) a share certificate registered in the name of such Stockholder for the number of Exchange Shares to be issued to such Stockholder pursuant to Section 2.1, less the Escrow Shares, as set forth on Exhibit A, and (b) to issue (and deliver to the Escrow Agent as provided in the Escrow Agreement) a share certificate registered in the name of such Stockholder for the Escrow Shares. From the time of the Closing the Stockholders shall be deemed to be beneficial owners and owners of record of all of the Exchange Shares listed opposite their names on Exhibit A, and shall be entitled to vote such shares, receive dividends and distributions on such shares,

and all other rights pertaining to a holder of such shares as set forth in Section 2(b) of the Escrow Agreement.

7.2.3 At the Closing, Intuit, Milkyway and the individuals who are parties to each of the following agreements shall execute and deliver counterparts of each such agreement: Employment Agreements, Miki Agreement, Escrow Agreement, Nakamura Agreement, Yoshii Agreement, Milkyway Affiliates Agreement and Invention Assignment Agreements executed by the Major Stockholders, all Milkyway Directors and all Milkyway employees of the seniority of kacho and above engaged in development, engineering, programming and/or related activities, the Assignment of Copyright and evidence that the actions required by Section 5.3(j) have been taken. Milkyway also will deliver to Intuit a certified copy of the minutes of the extraordinary shareholders meeting in the form of Exhibit O.

7.2.4 At the Closing, Intuit will cause Fenwick & West to deliver its opinion, and Ernst & Young to deliver its letter pursuant to Section 9.9. At the Closing, Milkyway will cause Mitsui, Yasuda, Wani & Maeda to deliver its opinion.

7.3 Each Stockholder understands and agrees that stop transfer instructions will be given to Intuit's transfer agent with respect to certificates evidencing the Exchange Shares to assure compliance with the provisions of the Milkyway Affiliates Agreements and Regulation S promulgated and that there will be placed on the certificates evidencing such Exchange Shares legends stating in substance:

> "THE SHARES REPRESENTED BY THIS CERTIFICATE MAY NOT BE OFFERED, SOLD, PLEDGED, EXCHANGED, TRANSFERRED OR OTHERWISE DISPOSED OF EXCEPT IN ACCORDANCE WITH THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), AND THE OTHER CONDITIONS SPECIFIED IN THAT CERTAIN MILKYWAY ("MILKYWAY") AFFILIATES AGREEMENT DATED AS OF JANUARY __, 1996 AMONG INTUIT INC., MILKYWAY AND THE HOLDER OF SUCH SHARES, A COPY OF WHICH AFFILIATES AGREEMENT MAY BE INSPECTED BY THE HOLDER OF THIS CERTIFICATE AT THE OFFICES OF INTUIT INC. INTUIT INC. WILL FURNISH, WITHOUT CHARGE, A COPY THEREOF TO THE HOLDER OF THIS CERTIFICATE, UPON WRITTEN REQUEST THEREFOR. INTUIT INC. MAY REQUIRE AN OPINION OF U.S. LEGAL COUNSEL, IN FORM AND SUBSTANCE SATISFACTORY TO INTUIT INC., TO THE EFFECT THAT SUCH REQUIREMENTS AND CONDITIONS HAVE BEEN MET."

> "THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE ACT WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION, AND THE COMPANY DOES NOT INTEND TO REGISTER THEM. PRIOR TO _____, 1996 [END OF 40-DAY RESTRICTED PERIOD], THE SHARES MAY NOT BE OFFERED OR SOLD (INCLUDING OPENING

> A SHORT POSITION IN SUCH SECURITIES) IN THE UNITED STATES OR TO U.S. PERSONS AS DEFINED BY RULE 902(O) ADOPTED UNDER THE ACT, OTHER THAN TO

DISTRIBUTORS, UNLESS THE SHARES ARE REGISTERED UNDER THE ACT, OR AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE ACT IS AVAILABLE. PURCHASERS OF SHARES PRIOR TO _____, 1996 [END OF 40-DAY RESTRICTED PERIOD], MAY RESELL SUCH SECURITIES ONLY PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE ACT, OR IN TRANSACTIONS EFFECTED OUTSIDE OF THE UNITED STATES PROVIDED THEY DO NOT SOLICIT (AND NO ONE ACTING ON THEIR BEHALF SOLICITS) PURCHASERS IN THE UNITED STATES OR OTHERWISE ENGAGE(S) IN SELLING EFFORTS IN THE UNITED STATES. A HOLDER OF THE SECURITIES WHO IS A DISTRIBUTOR, DEALER, SUB-UNDERWRITER OR OTHER SECURITIES PROFESSIONAL, IN ADDITION, CANNOT PRIOR TO _____, 1996 [END OF 40-DAY RESTRICTED PERIOD] RESELL THE SECURITIES TO A U.S. PERSON AS DEFINED BY RULE 902(O) OF REGULATION S UNLESS THE SECURITIES ARE REGISTERED UNDER THE ACT OR AN EXEMPTION FROM REGISTRATION UNDER THE ACT IS AVAILABLE."

8. CONDITIONS TO OBLIGATIONS OF THE STOCKHOLDERS

The Stockholders' obligations hereunder are subject to the fulfillment or satisfaction, on and as of the Closing, of each of the following conditions (any one or more of which may be waived by the Stockholders, but only in a writing signed by Stockholders holding at least seventy percent (70%) of the Milkyway Stock):

8.1 Accuracy of Representations and Warranties. The representations and warranties of Intuit set forth in Section 4 shall be true and accurate in every material respect on and as of the Closing Date with the same force and effect as if they had been made at the Closing, and the Stockholders and Milkyway shall have received a certificate to such effect executed on behalf of Intuit by its Chief Financial Officer.

8.2 Covenants. Intuit shall have performed and complied in all material respects with all of its covenants contained in Section 6 on or before the Closing Date, except to the extent the terms of such covenants require compliance after the Closing Date, and the Stockholders and Milkyway shall have received a certificate to such effect executed on behalf of Intuit by its Chief Financial Officer or a Vice President.

8.3 Compliance with Law. There shall be no order, decree, or ruling by any court or governmental agency or threat thereof, or any other fact or circumstance, which would prohibit or render illegal the transactions contemplated by this Agreement.

8.4 Government Consents. There shall have been obtained at or prior to the Closing Date such permits or authorizations, and there shall have been taken such other actions, as may be required to consummate the Exchange by any regulatory authority having jurisdiction over the parties and the actions herein proposed to be taken, including but not limited to any notices to or consents from the Bank of Japan and/or the Ministry of Finance, satisfaction of all

requirements under applicable federal and state securities laws in the United States and applicable securities laws in Japan.

8.5 Documents. Milkyway shall have received all written consents, assignments, waivers, authorizations or other certificates deemed reasonably necessary by Milkyway's legal counsel to consummate the transactions provided for herein.

8.6 No Litigation. No litigation or proceeding shall be pending which will have the probable effect of enjoining or preventing the consummation of any of the transactions provided for in this Agreement. No litigation or proceeding shall be pending which could reasonably be expected to have a material adverse effect on the financial condition or results of operations of Intuit that has not been previously disclosed to the Stockholders and Milkyway in the Intuit Disclosure Package.

8.7 Opinion of Intuit's Counsel. The Stockholders and Milkyway shall have received from Fenwick & West, counsel to Intuit, an opinion substantially in the form of Exhibit L.

8.8 No Changes. There shall have been no (i) amendment of Intuit's Certificate of Incorporation, issuance of Intuit Preferred Stock or other such event which would materially affect the rights of holders of Intuit Common Stock or (ii) agreement of Intuit to be acquired by another person.

9. CONDITIONS TO OBLIGATIONS OF INTUIT

The obligations of Intuit hereunder are subject to the fulfillment or satisfaction on, and as of the Closing, of each of the following conditions (any one or more of which may be waived by Intuit, but only in a writing signed on behalf of Intuit by its President or Chief Financial Officer):

9.1 Accuracy of Representations and Warranties. The representations and warranties of the Stockholders and Milkyway set forth in Section 3 shall be true and complete in all material respects as of the Closing Date with the same

force and effect as if they had been made at the Closing, and Intuit shall have received a certificate to such effect executed by each Major Stockholder, the attorney-in-fact for the other Stockholders, and on behalf of Milkyway by its Representative Director. Counsel for Intuit also shall not have received any evidence that an assignment has been registered or filed pursuant to the Copyright Law of Japan which (i) pertains to any software program which has been or is being sold or otherwise marketed by Milkyway and (ii) precedes an application for registration pursuant to Section 5.14 above.

9.2 Covenants. Each Stockholder and Milkyway shall have performed and complied in all material respects with all of its covenants contained in Section 5 on or before the Closing Date and Intuit shall have received a certificate to such effect signed by each Stockholder and on behalf of Milkyway by its President or Chief Financial Officer.

9.3 Compliance with Law. There shall be no order, decree, or ruling by any court or governmental agency or threat thereof, or any other fact or circumstance, which would prohibit or render illegal the transactions provided for in this Agreement.

9.4 Government Consents. There shall have been obtained at or prior to the Closing Date such permits or authorizations and there shall have been taken such other action, as may be required to consummate the Exchange by any regulatory authority having jurisdiction over the parties and the actions herein proposed to be taken, including but not limited to any notices to or consents from the Bank of Japan and/or the Ministry of Finance, satisfaction of all requirements under applicable federal and state securities laws in the United States and applicable securities laws in Japan.

9.5 Opinions of the Stockholders' and Milkyway's Counsel. Intuit shall have received from Mitsui, Yasuda, Wani & Maeda counsel to the Stockholders and Milkyway, an opinion substantially in the form of Exhibit M. Wilson, Sonsini, Goodrich & Rosati, U.S. counsel to Milkyway and the Stockholders, will not be required to issue an opinion in connection with this Agreement.

9.6 Requisite Approvals. The principal terms of this Agreement and the transfer and exchange of Milkyway Stock pursuant to Section 2.1 shall have been unanimously approved and adopted by the Board of Directors of Milkyway, and a certified copy of the minutes containing the resolutions for such action(s) shall be provided to Intuit at the Closing.

9.7 No Litigation. No litigation or proceeding shall be pending which will have the probable effect of enjoining or preventing the consummation of any of the transactions provided for in this Agreement. No litigation or proceeding shall be pending which could reasonably be expected to have a material adverse effect on the financial condition or results of operations of Milkyway that has not been previously disclosed to Intuit herein.

9.8 Documents. Intuit shall have received all written consents, assignments, waivers, authorizations or other certificates reasonably deemed necessary by Intuit's legal counsel to provide for the continuation in full force and effect of any and all material contracts and leases of Milkyway and for Intuit to consummate the transactions contemplated hereby.

9.9 Pooling Letter. Intuit shall have received a letter from Ernst & Young LLP, dated as of the Closing Date, regarding the appropriateness of pooling of interests accounting for the Exchange under Accounting Principles Board Opinion No. 16 if closed and consummated in accordance with this Agreement; provided that the failure of Ernst & Young to deliver such a letter shall not constitute a failure of this condition if Ernst & Young shall refuse to issue such a letter because of either (a) actions taken by Intuit (unless with Milkyway's consent after being informed by Intuit of the potential impact of the proposed Intuit action on the prospects for obtaining such opinion) between the signing of this Agreement and the Closing Date, or (b) facts regarding Intuit that were not disclosed to Ernst & Young in writing prior to the date hereof, or (c) documents regarding Intuit that were not provided by Intuit to Ernst & Young in writing, prior to the signing of this Agreement or (d) actions taken by Milkyway with the consent of Intuit or contemplated by this Agreement.

9.10 Certain Agreements. The Major Stockholders, all Milkyway Directors and all Milkyway employees of the seniority of kacho and above engaged in development, engineering, programming and/or related activities shall have executed the Invention Assignment Agreement.

9.11 Escrow. Intuit shall have received the Escrow Agreement executed by Milkyway and the Stockholders.

9.12 Employment and Other Agreements. Intuit shall have received the Employment Agreements, the Miki Agreement, the Yoshii Agreement and the Nakamura Agreement executed by all parties thereto.

9.13 Milkyway Affiliates Agreement. Intuit shall have received the Milkyway Affiliates Agreements executed by each Milkyway Affiliate.

9.14 Modification of Certain Agreements. The agreements between Milkyway and Shiizu K.K., Kenji Morioka d/b/a Earth Themia and Toshikazu Nakamura, respectively, shall have been terminated or modified as described in Section 5.3(j). Milkyway shall provide Intuit with evidence of such modifications.

9.15 Stockholder Resolution. Intuit shall have received at the Closing a certified copy of the minutes of an extraordinary shareholders meeting in the form of Exhibit O.

10. TERMINATION OF AGREEMENT

10.1 Termination. This Agreement may be terminated at any time prior to the Closing:

(a) By the mutual written consent of Intuit and Milkyway;

(b) Unless otherwise specifically provided herein or agreed in writing by Intuit, Milkyway and the Stockholders holding at least seventy percent (70%) of the Milkyway Stock, this Agreement will be terminated if all the conditions to Closing have not been satisfied or waived on or before January 15, 1996 (the "Final Date") other than as a result of a breach of this Agreement or any Milkyway Ancillary Agreement by the terminating party, or a breach by any of the Milkyway Affiliates of the Milkyway Affiliates Agreements;

(c) By Milkyway or Stockholders holding at least seventy percent (70%) of the Milkyway Stock, if there has been a breach by Intuit of any representation, warranty, covenant or agreement set forth in this Agreement on the part of Intuit, or if any representation of Intuit will have become untrue, in either case which has or can reasonably be expected to have a material adverse effect on Intuit and which Intuit fails to cure within a reasonable time, not to exceed twenty (20) days, after written notice thereof (except that no cure period will be provided for a breach by Intuit which by its nature cannot be cured);

(d) By Intuit, if there has been a breach by Milkyway or a Stockholder of any representation, warranty, covenant or agreement set forth in this Agreement on the part of Milkyway or any Stockholder, or if any representation of any Stockholder will have become untrue, in either case which has or can reasonably be expected to have a material adverse effect on Milkyway and which Milkyway and/or such Stockholder fails to cure within a reasonable time not to exceed twenty (20) days after written notice thereof (except that no cure period will be provided for a breach by Milkyway or any Stockholder which by its nature cannot be cured); or

(e) By either Intuit or Milkyway, if a permanent injunction or other order by any U.S. or Japanese court which would make illegal or otherwise restrain or prohibit the consummation of the Exchange will have been issued and will have become final and nonappealable.

Any termination of this Agreement under this Section 10.1 will be effective by the delivery of written notice of the terminating party to the other party hereto.

10.2 Certain Continuing Obligations. Following any termination of this Agreement pursuant to this Section 10, the parties hereto will continue to perform their respective obligations under Section 11 but will not be required to continue to perform their other covenants under this Agreement.

11. SURVIVAL OF REPRESENTATIONS, INDEMNIFICATION AND REMEDIES, CONTINUING COVENANTS

11.1 Survival of Representations.

11.1.1 Stockholders' and Milkyway's Representations. Each Stockholder's representations and warranties, except those specified in Section 3.1, shall become effective as of the Closing. The Stockholders' representations and warranties in Section 3.1 are effective as of the date of this Agreement. Milkyway's representations and warranties are effective as of the date of this Agreement. Unless otherwise specified herein, all representations, warranties and covenants of each Stockholder and Milkyway contained in this Agreement will remain operative and in full force and effect (but only as of the date they were made and as of the Closing Date) regardless of any investigation made by or on behalf of the parties to this Agreement, until the earlier of the termination of this Agreement in accordance with its terms or the end of the Escrow Period, whereupon such representations, warranties, and covenants (except for (i) the representations and warranties in Section 3.1 and (ii) intentional fraud or willful misconduct with respect to any representations, warranties and covenants) shall expire.

11.1.2 Intuit's Representations. Intuit's representations,

warranties and covenants contained in this Agreement will remain operative and in full force and effect (but only as of the date they were made and as of the Closing Date) regardless of any investigation made by or on behalf of the parties to this Agreement, until the earlier of the termination of this Agreement in accordance with its terms or the end of the Escrow Period, whereupon such representations, warranties, and covenants shall expire. Any judgment or settlement of a claim

against Intuit for a breach of its obligations hereunder brought after the Closing will be settled in Intuit Common Stock, valued at the average of the closing prices per share of Intuit Common Stock as quoted on the Nasdaq National Market System and reported in The Wall Street Journal for the ten (10) trading days ending on (and inclusive of) the Closing Date (or if the Closing Date is not a trading day, the trading day immediately preceding the Closing Date).

11.2 Stockholders Agreement to Indemnify.

Subject to the limitations set forth in this Section 11.2, each Stockholder jointly and severally will indemnify and hold harmless Intuit and its respective officers, directors, agents and employees, and each person, if any, who controls or may control Intuit within the meaning of the Securities Act (hereinafter in this Section 11.2 referred to individually as an "Indemnified Person" and collectively as "Indemnified Persons") from and against any and all claims, demands, actions, causes of action, losses, costs, damages, liabilities and expenses including, without limitation, reasonable legal fees, net of any recoveries under insurance policies or tax savings (hereafter in this Section 11.2 referred to as "Intuit Damages"):

(a) arising out of any misrepresentation or breach of or default in connection with any of the representations, warranties and covenants given or made by the Stockholders or Milkyway in this Agreement or any certificate, document or instrument delivered by the Stockholders or on behalf of Milkyway or by any other Stockholder pursuant hereto; or

(b) resulting from any failure of any Stockholder to have good, valid and marketable title to the issued and outstanding Milkyway Stock held by such Stockholder, free and clear of all liens, claims, pledges, options, adverse claims, assessments or charges of any nature whatsoever, or to have full right, capacity and authority to vote such Milkyway Stock in favor of the transactions contemplated by this Agreement and the Stockholders Ancillary Agreements.

In seeking indemnification for Intuit Damages under this Section following the Closing, the Indemnified Persons shall first exercise their remedies with respect to the Escrow Shares and any other assets deposited in escrow pursuant to the Escrow Agreement; provided, however, that no such claim for Intuit Damages under Section 11.2(a) will be asserted after the end of the Escrow Period. Except for (i) intentional fraud or willful misconduct and (ii) any damages of the type described in 11.2(b) above, no Stockholder shall have any liability to an Indemnified Person under this Agreement except to the extent of such Stockholder's Escrow Shares and any other assets deposited under the Escrow Agreement, and the remedies set forth in this Section 11.2 shall be the exclusive remedies of the Indemnified Persons hereunder against any Stockholder.

11.3 Option Registration. To the extent required by applicable law, Intuit shall register, before June 30, 1996, the options granted to Milkyway's employees to allow for the legal issuance and exercise in Japan of the options (subject to the terms of the 1993 Equity Incentive Plan and related documents) and unrestricted resale in the U.S. markets of the shares

issued upon exercise of such options (provided Intuit Common Stock continues to be listed on the Nasdaq National Market).

11.4 Announcement of Results. Intuit intends to announce results for the fiscal quarter ending January 31, 1996 on or about March 1, 1996 but in no event later than March 15, 1996, which shall include thirty (30) days combined operations of Milkyway and Intuit if the Closing has occurred on January 2, 1996. If the Closing occurs after January 2, 1996, then Intuit shall use its best efforts to announce results for the subsequent fiscal quarter on or about June 1, 1996, but in no event later than June 15, 1996.

11.5 Incentive Benefits. Intuit shall provide all details about the incentive benefits described in Section 6.7 above as soon as practicable.

11.6 Work Rules. The Stockholders and Milkyway shall take all actions necessary such that Milkyway's work rules be will changed as soon as possible to provide for specific rules to protect Milkyway's confidential information and Milkyway Intellectual Property, including (i) the safekeeping of source code, and (ii) specific rules requiring all employees, consultants, advisors and any other persons who participate in the development of Milkyway Intellectual Property to be bound by terms substantially similar to those in the Invention Assignment Agreement.

11.7 Financial Statements. Milkyway will provide all required assistance to Intuit and its representatives, to enable the Milkyway Financial Statements to be "recast" on a U.S. generally accepted accounting principles ("GAAP") basis to Intuit's fiscal periods (including fiscal quarters for fiscal year ended 1995 and subsequent quarters) ended July 31, 1995, July 31, 1994, September 30, 1993 and September 30, 1992.

11.8 Proxy. Each Stockholder hereby grants, conditional only on the Closing, to Intuit such Stockholder's irrevocable proxy to vote on any matter relating to the declaration of Milkyway dividends in 1996, to the extent such Stockholder is entitled to vote thereon due to ownership of record of Milkyway stock in 1995.

11.9 Issuance of Intuit Options. Intuit will grant an aggregate of Two Hundred Thousand (200,000) Intuit Options to all Milkyway employees (i) in the amounts set forth beside their respective levels of seniority on Exhibit K (the "Option Pool"), (ii) pursuant to a vesting schedule whereby one-fourth (1/4) of the options granted to each employee will become exercisable on the first anniversary of the Vesting Commencement Date (as defined below) and thereafter, at the end of each full succeeding month the options shall become exercisable as to an additional one forty-eighth (1/48) of the number of shares until such time as the options become exercisable as to all of the shares, (iii) whereby the "Vesting Commencement Date" will be the Closing Date, (iv) at an exercise price equal to the closing price per share of Intuit Common Stock as quoted on the Nasdaq National Market and reported in The Wall Street Journal for the date such Intuit Options are granted (or, if the Intuit Options are not granted on a trading day, the trading day immediately preceding the date of grant), and (v) to the extent permitted by Japanese law, pursuant to the terms and conditions of Intuit's 1993 Equity Incentive Plan. Intuit will grant

all Intuit Options from the Option Pool immediately after the Intuit Options and Intuit Common Stock underlying the Intuit Options have been effectively registered under Japanese securities laws. Intuit will use all reasonable efforts to cause the security registration statement under Japanese securities laws to be filed and declared effective as soon after the Closing as possible, but in no event will the registration statement be filed later than June 30, 1996.

11.10 Management Incentive Plan. Intuit will offer to certain Milkyway Employees the following incentive benefits:

(a) Intuit Options. Subject to Section 11.9, each Milkyway employee will be granted options to purchase the number of shares set forth beside his or her employment level as described in Exhibit K pursuant to Section 11.9.

(b) Profit Sharing. Each of Masashi Miki, Tohru Morii, Hiroki Orito, Hirofumi Udagawa and Mitsuya Yahagi will be eligible to participate in annual profit sharing compensation pursuant to the terms and conditions of Milkyway's profit sharing plan adopted in February 1995 (the "Yakuin Shoyo Plan"). Details of the Yakuin Shoyo Plan are included as Attachment A to the Employment Agreement. Each of Masashi Miki, Tohru Morii, Hiroki Orito, Hirofumi Udagawa and Mitsuya Yahagi will receive profit sharing pursuant to the Yakuin Shoyo Plan for Milkyway's fiscal year ending December 31, 1996, unless such person elects, prior to February 1, 1996, to receive profit sharing pursuant to the Intuit profit sharing plan. If a person elects to participate in the Intuit profit sharing plan, such person will not receive any profit sharing pursuant to the Yakuin Shoyo Plan. The Yakuin Shoyo Plan will terminate on December 31, 1996. If such person received profit sharing pursuant to the Yakuin Shoyo Plan with respect to Milkyway's fiscal year ending December 31, 1996, such person will not be eligible to participate in the Intuit profit sharing plan until February 1, 1997.

(c) Performance Bonus. Each General Manager (bucho), Deputy Division Manager (jicho), Section Manager (kacho) and the President will be eligible to receive from Intuit an annual performance bonus pursuant to Intuit's AVP Plan, with participation commencing on the Closing Date. The bonus shall be determined based on a payment goal of ten percent (10%) of such person's Base Salary (defined below) (other than the President, for whom such payment goal will be 20% of his base remuneration) for achievement of personal "target" goals, with greater or lesser percentage payments for achievement above and below the "target" in accordance with the terms and conditions of the AVP Plan. "Base Salary" shall include the following: (i) the age based salary and the job based salary (kihon-kyu), (ii) the manager allowance (yakushoku-teate) and (iii) semi-annual bonuses (excluding the performance based portion of such bonuses). The Base Salary will be equal to the amount calculated in accordance with the salary payment rules which are in effect immediately prior to the Effective Date. The bonus under the AVP Plan shall be determined at the end of Intuit's fiscal year (July 31) and paid at the same time paid to other AVP Plan participants. The amount such person receives under the AVP Plan will be reduced, yen-for-yen, by the amount such person received as the performance based portion of the winter bonus such person received prior to the payment of the AVP Plan bonus, to the extent permitted under Japanese law. Payments under the Yakuin Shoyo Plan or Intuit's profit sharing plan will not reduce AVP Plan

payments.

(d) Other Incentives. Intuit will establish other incentive plans, based on Intuit's incentive plans for its engineering and/or development personnel, as applicable, for Milkyway's Assistant Section Managers (kakaricho).

12. MISCELLANEOUS

12.1 Governing Language and Law; Dispute Resolution. This Agreement is written in English (except for the Japanese language version of the Invention Assignment Agreement) and entered into in Palo Alto, California and the English language shall govern. The internal laws of the State of Delaware (irrespective of its choice of law principles) will govern the validity of this Agreement, the construction of its terms, and the interpretation and enforcement of the rights and duties of the parties hereto. Any dispute hereunder ("Dispute") shall be settled by arbitration in San Francisco, California, and, except as herein specifically stated, in accordance with the commercial arbitration rules of the American Arbitration Association ("AAA Rules") then in effect. However, in all events, these arbitration provisions shall govern over any conflicting rules which may now or hereafter be contained in the AAA Rules. Any judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction over the subject matter thereof. The arbitrator shall have the authority to grant any equitable and legal remedies that would be available in any judicial proceeding instituted to resolve a Dispute.

12.1.1 Compensation of Arbitrator. Any such arbitration will be conducted before a single arbitrator who will be compensated for his or her services at a rate to be determined by the parties or by the American Arbitration Association, but based upon reasonable hourly or daily consulting rates for the arbitrator in the event the parties are not able to agree upon his or her rate of compensation.

12.1.2 Selection of Arbitrator. The American Arbitration Association will have the authority to select an arbitrator from a list of arbitrators who are lawyers familiar with contract law; provided, however, that such lawyers cannot work for a firm then performing services for either party, that each party will have the opportunity to make such reasonable objection to any of the arbitrators listed as such party may wish and that the American Arbitration Association will select the arbitrator from the list of arbitrators as to whom neither party makes any such objection. In the event that the foregoing procedure is not followed, each party will choose one person from the list of arbitrators provided by the American Arbitration Association (provided that such person does not have a conflict of interest), and the two persons so selected will select from the list provided by the American Arbitration Association the person who will act as the arbitrator.

12.1.3 Payment of Costs. Intuit and the Stockholders will bear the expense of deposits and advances required by the arbitrator in equal proportions, but either party may advance such amounts, subject to recovery as an addition or offset to any award. The arbitrator will award to the prevailing party, as determined by the arbitrator, all costs, fees and

expenses related to the arbitration, including reasonable fees and expenses of attorneys, accountants and other professionals incurred by the prevailing party. If such an award would result in manifest injustice, however, the arbitrator may apportion such costs, fees and expenses between the parties as such arbitrator deems just and equitable.

12.1.4 Burden of Proof. For any Dispute submitted to arbitration, the burden of proof will be as it would be if the claim were litigated in a judicial proceeding.

12.1.5 Award. Upon the conclusion of any arbitration proceedings hereunder, the arbitrator will render findings of fact and conclusions of law and a written opinion setting forth the basis and reasons for any decision reached and will deliver such documents to each party to this Agreement along with a signed copy of the award.

12.1.6 Terms of Arbitration. The arbitrator chosen in accordance with these provisions will not have the power to alter, amend or otherwise affect the terms of these arbitration provisions or the provisions of this Agreement.

12.1.7 Exclusive Remedy. Except as specifically otherwise provided in this Agreement, arbitration will be the sole and exclusive remedy of the parties for any Dispute arising out of this Agreement.

12.2 Assignment; Binding Upon Successors and Assigns. No party hereto may assign any of its rights or obligations hereunder without the prior written consent of all the other parties hereto. This Agreement will be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

12.3 Severability. If any provision of this Agreement, or the application thereof, is for any reason held to any extent to be invalid or unenforceable, the remainder of this Agreement and application of such provision to other persons or circumstances will be interpreted so as reasonably to effect the intent of the parties hereto. The parties further agree to replace such unenforceable provision of this Agreement with a valid and enforceable provision that will achieve, to the extent possible, the economic, business and other purposes of the void or unenforceable provision.

12.4 Counterparts. This Agreement may be executed in counterparts, each of which will be an original as regards any party whose name appears thereon and all of which together will constitute one and the same instrument. This Agreement will become binding when one or more counterparts hereof, individually or taken together, bear the signatures of all parties reflected hereon as signatories.

12.5 Other Remedies. Except as otherwise provided herein, any and all remedies herein expressly conferred upon a party will be deemed cumulative with and not exclusive of any other remedy conferred hereby or by law on such party, and the exercise of any one remedy will not preclude the exercise of any other.

12.6 Amendment and Waivers. Any term or provision of this Agreement may be amended, and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively), only by a writing signed by the party to be bound thereby (except as otherwise provided herein). The waiver by a party of any breach hereof or default in the performance hereof will not be deemed to constitute a waiver of any other default or any succeeding breach or default.

12.7 No Waiver. The failure of any party to enforce any of the provisions hereof will not be construed to be a waiver of the right of such party thereafter to enforce such provisions. The waiver by any party of the right to enforce any of the provisions hereof on any occasion will not be construed to be a waiver of the right of such party to enforce such provision on any other occasion.

12.8 Expenses. Intuit will bear its own expenses and the expenses and fees of its own accountants, attorneys, investment bankers and other professionals incurred with respect to this Agreement and the transactions contemplated hereby. The Stockholders jointly and severally will bear (i) their own expenses and the expenses and fees of their own accountants, attorneys, investment bankers and other professionals (including any broker's or finder's fees) and (ii) Milkyway's expenses and the expenses and fees of Milkyway's accountants, attorneys, investment bankers and other professionals (including any broker's or finder's fees) incurred with respect to this Agreement and the transactions contemplated hereby.

12.9 Notices. Any notice or other communication required or permitted to be given under this Agreement will be in writing, will be delivered personally or by mail or express delivery, postage prepaid, and will be deemed given upon actual delivery or, if mailed by registered or certified mail, on the third business day following deposit in the mails, addressed as follows:

(i) If to Intuit:

Intuit Inc.
1840 Embarcadero Way
Palo Alto, CA 94303
Attention: General Counsel
Phone: (415) 944-6656
Fax: (415) 944-6622

with a copy to:

Fenwick & West
Two Palo Alto Square
Palo Alto, CA 94306
Attention: Gordon K. Davidson
Phone: (415) 494-0600
Fax: (415) 857-0361

(ii) If to Milkyway:
Kabushiki Kaisha Milkyway
2-14-5
Akasaka, Minato-ku
Tokyo, Japan
Attention: President

with a copy to:

Wilson Sonsini Goodrich & Rosati
650 Page Mill Road
Palo Alto, CA 94304
Attention: Neil J. Wolff
Phone: (415) 493-9300
Fax: (415) 493-6811

(iii) If to the Stockholders:

at the address listed below their respective names on the signature pages below

or to such other address as the party in question may have furnished to the other party by written notice given in accordance with this Section 12.9.

12.10 Construction of Agreement. The language hereof will not be construed for or against either party. A reference to an article, section or exhibit will mean an article or section in, or an exhibit to, this Agreement, unless otherwise explicitly set forth. The titles and headings in this Agreement are for reference purposes only and will not in any manner limit the construction of this Agreement. For the purposes of such construction, this Agreement will be considered as a whole.

12.11 No Joint Venture. Nothing contained in this Agreement will be deemed or construed as creating a joint venture or partnership between the parties hereto. No party is by virtue of this Agreement authorized as an agent, employee or legal representative of any other party. No party will have the power to control the activities and operations of any other, and the parties' status is, and at all times, will continue to be, that of independent contractors with respect to each other. No party will have any power or authority to bind or commit any other. No party will hold itself out as having any authority or relationship in contravention of this Section 12.11.

12.12 Further Assurances. Each party agrees to cooperate fully with the other party and to execute such further instruments, documents and agreements and to give such further written assurances as may be reasonably requested by the other party to evidence and reflect the transactions provided for herein and to carry into effect the intent of this Agreement.

12.13 Absence of Third Party Beneficiary Rights. No provisions of this Agreement are intended, nor will be interpreted, to provide or create any third party beneficiary rights or any other rights of any kind in any client, customer, affiliate, partner or employee of any party hereto or any other person or entity, unless specifically provided otherwise herein, and, except as so provided, all provisions hereof will be personal solely between the parties to this Agreement.

12.14 Public Announcement. Intuit and Milkyway will issue a press release approved by both parties announcing the Exchange as soon as practicable following the execution of this Agreement. Intuit may issue such press releases, and make such other

disclosures regarding the Exchange, as it determines to be required or appropriate under applicable securities laws or National Association of Securities Dealers, Inc. rules after reasonable consultation, where possible, with Milkyway. Milkyway will take all reasonable precautions to prevent any trading in the securities of Intuit by officers, directors, employees and agents of Milkyway (a) having knowledge of any material information regarding Intuit provided hereunder until the information in question has been publicly disclosed or (b) to the extent that such trading would adversely affect the treatment of the Exchange as a "pooling of interests" for accounting purposes.

12.15 Time is of the Essence. The parties hereto acknowledge and agree that time is of the essence in connection with the execution, delivery and performance of this Agreement, and that they will each utilize their best efforts to satisfy all the conditions to Closing on or before January 1, 1996.

12.16 Entire Agreement. This Agreement, the exhibits hereto and the Confidentiality Agreement constitute the entire understanding and agreement of the parties hereto with respect to the subject matter hereof and supersede all prior agreements or understandings, inducements or conditions, express or implied, written or oral, between the parties with respect to the subject matter hereof. The express terms hereof control and supersede any course of performance or usage of trade inconsistent with any of the terms hereof. The December 1995 Letter of Intent between Milkyway and Intuit is hereby terminated.

12.17 Delivery. Delivery of any document, financial statement, tax or information return, list or other item required to be delivered to any party pursuant to this Agreement (each individually, a "Document") shall be deemed to have occurred if such Document is delivered directly to the party to receive such Document or directly to any advisor to or agent for such party, provided, however, that such Document must be delivered in the form and language required pursuant to this Agreement. Documents delivered by Milkyway in response to Intuit's due diligence request were delivered in Japanese and/or English.

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

INTUIT INC.

By: /s/ WILLIAM H. LANE

Its:

KABUSHIKI KAISHA MILKYWAY

By: /s/ MASASHI MIKI

Masashi Miki
President

STOCKHOLDERS

/s/ HIDEMOTO YOSHII

Hidemoto Yoshii

3-11-12 Mukaibara
Asao-ku, Kawasaki-shi
Kanagawa-ken, Japan

/s/ YUKO YOSHII

Yuko Yoshii

3-11-12 Mukaibara
Asao-ku, Kawasaki-shi
Kanagawa-ken, Japan

/s/ MASASHI MIKI

Masashi Miki

2-8-5-104 Tate
Shiki-shi, Saitama-ken, Japan

/s/ SADAO MIKI

Sadao Miki

1-11-17 Arajuku-machi
Kawagoe-shi, Saitama-ken, Japan

/s/ TOSHIKAZU NAKAMURA

Toshikazu Nakamura

2-205-1 Sengen-cho
Omiya-shi, Saitama-ken, Japan

/s/ TOSHIMITSU NAKAMURA

Toshimitsu Nakamura

4-41 Miya-cho
Omiya-shi, Saitama-ken, Japan

SIGNATURE PAGE TO EXCHANGE AGREEMENT

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The exhibits listed above will be furnished to the Commission upon request.

Exhibit 2.02

AGREEMENT AND PLAN OF REORGANIZATION

THIS AGREEMENT AND PLAN OF REORGANIZATION (this "AGREEMENT") is made and entered into as of October 24, 1995 (the "AGREEMENT DATE") by and between Intuit Inc., a Delaware corporation ("INTUIT"), and GALT Technologies, Inc., a Pennsylvania corporation ("GALT").

RECITALS

A. The parties intend that, subject to the terms and conditions of this Agreement, a Delaware corporation to be designated by Intuit that is a wholly-owned subsidiary of Intuit ("INTUIT SUB") shall be merged with and into GALT in a statutory merger (the "MERGER"), with GALT to be the surviving corporation of the Merger, all pursuant to the terms and conditions of this Agreement and applicable law.

B. The Merger is intended to be a tax-free plan of reorganization under Section 368(a) of the Internal Revenue Code of 1986, as amended (the "CODE"), and is intended by the parties to qualify for "pooling of interests" accounting treatment.

C. Upon the effectiveness of the Merger, all the capital stock of GALT ("GALT CAPITAL STOCK") outstanding immediately prior thereto shall be converted into shares of the common stock of Intuit plus cash for eliminated fractional shares, the employee stock options to purchase shares of GALT common stock that are outstanding immediately prior to the Effective Time under GALT's 1995 Stock Option Plan shall be assumed by Intuit and converted into options to purchase Intuit common stock as provided herein and Intuit Sub shall be merged with and into GALT, all as provided herein.

NOW, THEREFORE, in consideration of the facts set forth in the foregoing recitals and the agreements and conditions set forth herein, the parties hereby agree as follows:

1. CERTAIN DEFINITIONS. As used in this Agreement, the following terms shall have the meanings set forth below:

1.1 The "MERGER" shall mean the merger of Intuit Sub with and into GALT (or, if Intuit so elects pursuant to Section 2.11 hereof, the merger of GALT with and into Intuit Sub) contemplated by this Agreement.

1.2 "EFFECTIVE TIME" means the time and date on which an Agreement of Merger in substantially the form of Exhibit A hereto (the "AGREEMENT OF MERGER") regarding the Merger and conforming to the requirements of Section 252 of the Delaware General Corporation Law is filed with the Delaware Secretary of State pursuant to Section 252 of the Delaware General Corporation Law and Articles of Merger regarding the Merger and conforming to the requirements of Section 1926 of the Pennsylvania Business Corporation Law (the "ARTICLES OF MERGER") are filed with the Pennsylvania Department of State pursuant to Section 1926 of the Pennsylvania Business Corporation Law and the Merger becomes effective under Delaware and Pennsylvania law.

1.3 "INTUIT COMMON STOCK" means the Common Stock, $0.01 par value, of Intuit.

1.4 "INTUIT PRICE PER SHARE" means $47.275, which is the average of the closing prices of Intuit Common Stock as quoted on the Nasdaq National Market System and reported in The Wall Street Journal for the ten (10) trading days ending on (and inclusive of) October 18, 1995.

1.5 "GALT COMMON STOCK" means the Common Stock, $0.01 par value, of GALT.

1.6 "GALT SERIES A PREFERRED STOCK" means the Series A Participating Preferred Stock, $0.01 par value, of GALT.

1.7 "GALT STOCK" means GALT Common Stock and GALT Series A Preferred Stock, collectively.

1.8 "GALT OPTIONS" means options to purchase GALT Common Stock from GALT granted by GALT to GALT employees under GALT's 1995 Stock Option Plan (the "GALT OPTION PLAN").

1.9 "GALT DERIVATIVE SECURITIES" means, collectively, (a) any warrant, option, right or other security that entitles the holder thereof to purchase or otherwise acquire any shares of the capital stock of GALT ("GALT WARRANTS"); (b) any note, evidence of indebtedness, stock or other security that is convertible into or exchangeable for any shares of the capital stock of GALT or any GALT Warrant ("GALT CONVERTIBLE SECURITY"); and (c) any, warrant, option, right or other security that entitles the holder thereof to purchase or otherwise acquire any GALT Convertible Security or any GALT Warrant; provided, however, that the term "GALT Derivative Securities" does not include any GALT Options.

1.10 "FULLY DILUTED GALT SHARES" means that number of shares of GALT Common Stock that is equal to the sum of: (a) the total number of shares of GALT Common Stock that are issued and outstanding immediately prior to the Effective Time; plus (b) the total number of shares of GALT Common Stock, if any, that are directly or indirectly ultimately issuable by GALT upon the exercise, conversion or exchange of all GALT Derivative Securities (including but not limited to shares of GALT Series A Preferred Stock) that are issued and outstanding immediately prior to the Effective Time (but excluding the shares of GALT Common Stock, if any, that are ultimately issuable upon the exercise of all GALT Options that are issued and outstanding immediately prior to the Effective Time).

1.11 "GALT DISSENTING SHARES" means any shares of GALT Stock that are held by a GALT shareholder as to which dissenter's rights to require the payment of the fair value of such shares as provided in Chapter 15 of the Pennsylvania Business Corporation Law have been duly and properly exercised and perfected.

1.12 "GALT SERIES A PREFERENCE AMOUNT" means the sum of $334,459.77.

1.13 "UNADJUSTED CONVERSION NUMBER" means the number equal to the fraction (a) whose numerator is the quotient obtained by dividing the Merger Amount (as defined below) by

the number of shares of GALT Common Stock equal to the Fully Diluted GALT Shares, and (b) whose denominator is the Intuit Price Per Share. As used herein, the "MERGER AMOUNT" shall initially mean the sum of Nine Million Dollars ($9,000,000), provided that the Merger Amount shall be subject to adjustment from time to time as provided in Sections 11.2 and 11.3 hereof, and upon each such adjustment, the adjusted Merger Amount shall become the Merger Amount.

1.14 "GALT NON-INTUIT-RELATED REVENUE" means the aggregate amount of revenue recognized by GALT on the accrual method of accounting during the time period commencing on January 1, 1996 and ending on the last day of the last full calendar month preceding the Closing (such time period being hereinafter referred to as the "MEASURE PERIOD"), as determined in accordance with generally accepted accounting principles consistently applied, minus all Intuit-Related Revenue, as defined below. As used herein, the term "INTUIT-RELATED REVENUE" means all revenue recognized by GALT on the accrual method of accounting during the Measure Period that is derived in any manner from the Services Agreement dated of even date herewith to be entered into by and between Intuit and GALT concurrently with their execution of this Agreement, as determined in accordance with generally accepted accounting principles consistently applied.

1.15 "ADJUSTMENT FACTOR" means the quotient obtained by dividing the GALT Non-Intuit-Related Revenue by the cumulative sum of the GALT Non-Intuit-Related Revenue projected to be recognized by GALT during the Measure Period as indicated in the GALT Revenue Projection Schedule attached hereto as Exhibit 1.15; provided however, that the Adjustment Factor may not be less than one (1.00) or greater than one and eleven-hundredths (1.11) and accordingly, notwithstanding the foregoing, if the Adjustment Factor as calculated above would be a number less than one (1.00), then the Adjustment Factor shall be one (1.00) and if the Adjustment Factor as calculated above would be a number greater than one and eleven-hundredths (1.11), then the Adjustment Factor shall be one and eleven-hundredths (1.11).

1.16 "ADJUSTED CONVERSION NUMBER" means the product obtained by multiplying the Unadjusted Conversion Number by the Adjustment Factor.

1.17 "INTUIT MERGER SHARES" means the number of shares of Intuit Common Stock, as presently constituted, equal to the product obtained by multiplying the Adjusted Conversion Number by the number of shares of GALT Common Stock equal to the Fully Diluted GALT Shares.

1.18 "INTUIT PREFERENCE SHARES" means that number of the Intuit Merger Shares that is equal to the number obtained by dividing the GALT Series A Preference Amount by the Intuit Price Per Share.

1.19 "INTUIT PARTICIPATION SHARES" means that number of the Intuit Merger Shares remaining after the Intuit Preference Shares have been subtracted from the Intuit Merger Shares.

1.20 "SERIES A PREFERENCE CONVERSION NUMBER" means that number obtained by dividing the Intuit Preference Shares by the total number of shares of GALT Series A Preferred Stock that are issued and outstanding immediately prior to the Effective Time.

1.21 "PARTICIPATION CONVERSION NUMBER" means that number obtained by dividing the number of Intuit Participation Shares by the number of Fully Diluted GALT Shares.

1.22 "PREFERRED PARTICIPATION CONVERSION NUMBER" means that number obtained by multiplying the Participation Conversion Number by the number of shares of GALT Common Stock into which each share of GALT Series A Preferred Stock is convertible under GALT's Articles of Incorporation immediately prior to the Effective Time.

Other capitalized terms defined elsewhere in this Agreement and not defined in this Section 1 shall have the meanings assigned to such terms in this Agreement.

2. PLAN OF REORGANIZATION

Subject to the terms and conditions of this Agreement, at the Effective Time Intuit Sub shall be merged with and into GALT (unless Intuit elects otherwise pursuant to the provisions of Section 2.11 hereof), pursuant to this Agreement in accordance with applicable provisions of the laws of the State of Delaware and the Commonwealth of Pennsylvania, as follows:

2.1 Conversion of Shares. At the Effective Time, by virtue of the Merger and without the need for any action on the part of any holder of any shares of stock described below:

2.1.1 Cancellation of GALT Treasury Stock. Each share of GALT Stock (if any) held by GALT as treasury stock immediately prior to the Effective Time shall be canceled and no payment or other consideration whatsoever shall be made or paid with respect thereto.

2.1.2. Conversion of Intuit Sub Stock. Each share of the Common Stock of Intuit Sub that is issued and outstanding immediately prior to the Effective Time shall be converted into and become one (1) share of GALT Common Stock which shall be issued and outstanding immediately after the Effective Time, and the shares of GALT Common Stock into which the shares of Intuit Sub are so converted shall be the only shares of GALT Stock that are issued and outstanding immediately after the Effective Time.

2.1.3. Conversion of GALT Stock. Each share of GALT Common Stock and each share of GALT Series A Preferred Stock that is issued and outstanding immediately prior to the Effective Time (other than any GALT Dissenting Shares as provided in Section 2.4) shall be converted into shares of Intuit Common Stock as follows, subject to the provisions of Section 2.5 regarding the elimination of fractional shares:

(a) GALT Series A Preferred Stock. Each share of GALT Series A Preferred Stock that is issued and outstanding immediately prior to the Effective Time shall be converted into a number of shares of Intuit Common Stock equal to the sum of the Series A Preference Conversion Number plus the Preferred Participation Conversion Number; and

(b) GALT Common Stock. Each share of GALT Common Stock that is issued and outstanding immediately prior to the Effective Time shall be converted into a number of shares of Intuit Common Stock equal to the Participation Conversion Number.

It is the purpose and intent of this Section 2.1.3 to carry into effect the merger liquidation preference provisions set forth in GALT's Articles of Incorporation as in effect on the Agreement Date. Exhibit B attached hereto sets forth examples of the formula used to determine the Series A Preference Conversion Number and the Participation Conversion Number for purposes of converting the outstanding shares of GALT Common Stock and GALT Series A Preferred Stock in the Merger into shares of Intuit Common Stock as provided in this Section 2.1.3 and the application of the formula set forth in Section 2.2 for converting GALT Options into Intuit Options in the Merger.

2.2 Assumption and Conversion of GALT Options.

(a) Assumption by Intuit. Each GALT Option that is outstanding immediately prior to the Effective Time shall, by virtue of the Merger and at the Effective Time and without the need for any further action on the part of any holder thereof, be assumed by Intuit and converted into an option (an "INTUIT OPTION") to purchase that number of shares of Intuit Common Stock determined by multiplying the number of shares of GALT Common Stock subject to such GALT Option immediately prior to the Effective Time by the Participation Conversion Number, at an exercise price per share of Intuit Common Stock equal to the exercise price per share of GALT Common Stock that was in effect for such GALT Option immediately prior to the Effective Time divided by the Participation Conversion Number; provided, however, that if the foregoing calculation would result in an assumed and converted GALT Option being converted into an Intuit Option that, after aggregating all the shares of Intuit Common Stock issuable upon the exercise of such Intuit Option, would be exercisable for a fraction of a share of Intuit Common Stock, then the number of shares of Intuit Common Stock subject to such Intuit Option shall be rounded down to the nearest whole number of shares of Intuit Common Stock. The terms, exercisability, vesting schedule, status as an "incentive stock option" under Section 422 of the Code, if

applicable, and all other terms and conditions of GALT Options (including but not limited to the terms and conditions applicable to such options by virtue of the GALT Option Plan) shall, to the extent permitted by law and otherwise reasonably practicable, be unchanged. Continuous employment with GALT shall be credited to the optionee for purposes of determining the vesting of the number of shares of Intuit Common Stock subject to exercise under the converted GALT Option after the Effective Time.

(b) Registration. Intuit shall use its best efforts to cause the shares of Intuit Common Stock issuable upon exercise of the GALT Options that are converted into Intuit Options under this Section to be registered on a registration statement (or to be issued pursuant to a then-effective registration statement) on Form S-8 (or successor form) promulgated by the Securities and Exchange Commission ("SEC") under the Securities Act of 1933, as amended (the "1933 ACT"), no later than ninety (90) days after the Effective Time and shall use its best efforts to maintain the effectiveness of such registration statement or registration statements for so long as such assumed GALT Options remain outstanding.

2.3 Adjustments for Capital Changes. If, prior to the Effective Time of Merger, Intuit or GALT recapitalizes, either through a split-up or subdivision of its outstanding shares into a greater number of shares, or through a reverse split or combination of its outstanding shares into a lesser number of shares, or reorganizes, reclassifies or otherwise changes its outstanding shares

into the same or a different number of shares of other classes (other than through a split-up, subdivision, reverse split or combination of shares provided for in the previous clause), or declares a dividend on its outstanding shares payable in shares or securities convertible into shares (a "CAPITAL CHANGE"), then the number of shares of Intuit Common Stock into which the shares of GALT Stock are to be converted in the Merger, and the number of shares of Intuit Common Stock to be issued upon exercise of the Intuit Options issued upon the conversion of GALT Options in the Merger, shall be adjusted appropriately (as agreed to by Intuit and GALT if it involves something other than a mathematical adjustment) so as to maintain the proportional interests of the holders of GALT Stock (and, indirectly, the GALT Options) in the outstanding Intuit Common Stock; provided, however, that the provisions of this Section shall not apply to any merger or other acquisition of GALT or any other transaction not permitted to be undertaken by GALT under the provisions of this Agreement. In the event that a Capital Change affecting Intuit Common Stock occurs prior to the Merger, then the Intuit Price Per Share shall be deemed to have been equitably adjusted to reflect such Capital Change as necessary to effect the purposes and intent of this Section.

2.4 GALT Dissenting Shares. Holders of GALT Dissenting Shares (if any) shall be entitled to their rights under Subchapter D (Sections 1571 et seq.) and Section 1930 of the Pennsylvania Business Corporation Law with respect to such shares and such GALT Dissenting Shares shall not be converted into shares of Intuit Common Stock in the Merger. GALT Stock as to which dissenting shareholders' rights of appraisal under the Pennsylvania Business Corporation Law have not been properly perfected shall, when such dissenting shareholders' rights can no longer be exercised, be converted into Intuit Common Stock as provided in Section 2.1.3.

2.5 Fractional Shares. No fractional shares of Intuit Common Stock shall be issued in connection with the Merger. In lieu thereof, each holder of GALT Stock who would otherwise be entitled to receive a fraction of a share of Intuit Common Stock, after aggregating all shares of Intuit Common Stock to be received by such holder, shall instead receive from Intuit, within twenty (20) business days after the Effective Time, an amount of cash equal to the Intuit Price Per Share (as adjusted to reflect any Capital Change of Intuit) multiplied by the fraction of a share of Intuit Common Stock to which such holder would otherwise be entitled.

2.6 Effects of the Merger. Subject to the provisions of Section 2.11, at and upon the Effective Time: (a) the separate existence of Intuit Sub shall cease and Intuit Sub shall be merged with and into GALT, and GALT shall be the surviving corporation of the Merger (the "SURVIVING CORPORATION") pursuant to the terms of this Agreement; (b) the Articles of Incorporation of GALT shall be amended to read as set forth in Exhibit 2.6 attached hereto and shall be the Articles of Incorporation of the Surviving Corporation; (c) the Bylaws of GALT shall continue unchanged and shall be the Bylaws of the Surviving Corporation; (d) each share of GALT Stock outstanding immediately prior to the Effective Time and each GALT Option outstanding immediately prior to the Effective Time shall be converted as provided in this Section 2; (e) the persons who are the officers and directors of Intuit Sub immediately prior to the Effective Time shall be the officers and directors of the Surviving Corporation immediately after the Effective Time; and (f) the Merger shall, from and after the Effective Time, have all of the effects provided by applicable law.

2.7 Further Assurances. GALT agrees that if, at any time after the Effective Time, Intuit considers or is advised that any further deeds, assignments or assurances are reasonably necessary or desirable to be obtained from GALT or its officers or directors, to consummate the Merger or to carry out the purposes of this Agreement at or after the Effective Time, then Intuit, GALT and their respective officers and directors may execute and deliver all such proper deeds, assignments and assurances and do all other things necessary or desirable to consummate the Merger and to carry out the purposes of this Agreement, in the name of GALT or otherwise.

2.8 Fairness Hearing; Contingent Alternatives.

(a) Fairness Hearing; 3(a)(10) Exemption. Subject to the provisions of Section 2.8(b) below, the issuance of the shares of Intuit Common Stock to be issued in the Merger and the Intuit Options to be issued in the Merger shall be qualified by a permit (the "PERMIT") to be issued under Sections 25121 and 25142 of the California Corporate Securities Law of 1968, as amended (the "CALIFORNIA LAW"), after a fairness hearing (the "FAIRNESS HEARING") before the California Commissioner of Corporations pursuant to Section 25142 of the California Law, with the intent that the issuance of the shares of Intuit Common Stock and Intuit Options to be issued in the Merger (but not the issuance of Intuit Common Stock upon exercise of Intuit Options issued in the Merger) shall, to the extent permitted by applicable law, thereby be exempt under Section 3(a)(10) of the 1933 Act from the registration requirements of the 1933 Act. As promptly as practicable after the date of this Agreement, but in any event by no later than December 31, 1995, Intuit (with GALT's full and prompt best efforts cooperation) shall prepare and file with the California Department of Corporations (the "DEPARTMENT") an application for qualification of the shares of Intuit Common Stock and the Intuit Options to be issued in the Merger at the Closing (as defined herein) and an application for the Fairness Hearing to be held in connection therewith (collectively, the "PERMIT APPLICATION"), together with any information or proxy statement included therein (the "INFORMATION STATEMENT"), and any other documents required by the California Law in connection with the Merger. Intuit shall use its best efforts to have the Permit issued under the California Law as promptly as practicable after such filing and GALT shall fully cooperate with Intuit in good faith to assist in such efforts. Intuit shall also take any action required to be taken under any applicable state securities or "blue sky" laws in connection with the issuance of the shares of Intuit Common Stock in the Merger. GALT shall timely furnish to Intuit all information concerning GALT, its financial condition, its officers, directors, shareholders, option holders and other security holders as may be reasonably requested in connection with any action contemplated by this Section. Intuit shall bear all expenses incurred by Intuit with respect to the Permit Application or the Fairness Hearing, including without limitation (i) any filing fees or other fees payable to the California Department of Corporations with respect to the Permit Application and the Fairness Hearing and (ii) the costs of any court reporter or stenographer selected by Intuit who prepares the transcript of the Fairness Hearing, and (iii) all fees and costs of Intuit's counsel incurred in connection with the Permit and the Fairness Hearing.

(b) Possible Form S-4 Registration. If despite Intuit's and GALT's good faith best efforts to obtain the Permit: (A) the Department denies Intuit's Permit Application and refuses to issue the Permit; or (B) the Permit has not been issued by March 1, 1996; then Intuit shall instead register the Intuit Common Stock to be issued in the Merger under the 1933 Act on

Form S-4 promulgated thereunder (or such other registration form as may then be available to register for the issuance of shares of Intuit Common Stock in the Merger), in which case, Intuit and GALT shall prepare and file with the SEC such form of registration statement (the "REGISTRATION FORM") together with the prospectus/proxy statement included therein (the "PROSPECTUS/PROXY STATEMENT") and any other documents required by the 1933 Act or the Securities Exchange Act of 1934, as amended (the "EXCHANGE ACT") in connection with the Merger as soon as reasonably practicable after the occurrence of either of the events described in clause (A) or (B) of the first sentence of this Section 2.8(b). In such case, Intuit and GALT shall use their best efforts to have the Registration Form declared effective under the 1933 Act as promptly as practicable after such filing, Intuit shall also take any action required to be taken under any applicable state securities or "blue sky" laws in connection with the issuance of the Intuit Common Stock in the Merger, and GALT shall furnish to Intuit all information concerning GALT and the GALT stockholders as may be reasonably requested in connection with any action contemplated by this Section 2.8(b).

2.9 Tax Free Reorganization. The parties intend to adopt this Agreement as a tax-free plan of reorganization and (subject to the provisions of Section 2.11 hereof) to consummate the Merger as a reverse triangular merger in accordance with the provisions of Section 368(a)(1)(A) by virtue of the provisions of Section 368(a)(2)(E) of the Code. The Intuit Common Stock issued in the Merger shall be issued solely in exchange for the GALT Stock, and no other transaction other than the Merger represents, provides for or is intended to be an adjustment to, the consideration paid for the GALT Stock. Except for cash paid in lieu of fractional shares, and cash paid for dissenting shares, if any, no consideration that could constitute "other property" within the meaning

of Section 356(b) of the Code is being paid by Intuit for the GALT Stock in the Merger. The parties shall not take a position on any tax returns inconsistent with this Section 2.9. In addition, Intuit represents as of the date of this Agreement, and as of the Closing Date, that it presently intends to continue GALT's historic business or use a significant portion of GALT's business assets in a business. Both Intuit and GALT agree to execute tax representation certificates consistent with this treatment of the Merger. GALT will use its best efforts to cause the GALT Affiliates to execute similar tax representation letters.

2.10 Pooling of Interests. The parties intend that the Merger be treated as a "pooling of interests" for accounting purposes.

2.11 Option of Intuit. Notwithstanding the foregoing, the parties agree that Intuit shall have the right, at its sole option, to restructure the Merger as a tax-free forward triangular reorganization in which GALT is merged with and into Intuit Sub, with Intuit Sub to be the Surviving Corporation of such Merger on the terms and conditions stated herein, and the parties agree that, in such case, this Agreement, the Agreement of Merger, the Articles of Merger and other documents related to the Merger shall be modified accordingly.

3. REPRESENTATIONS AND WARRANTIES OF GALT

GALT hereby represents and warrants to Intuit that, except as set forth in a letter addressed to Intuit dated the Agreement Date and delivered by GALT to Intuit concurrently herewith (the "GALT DISCLOSURE LETTER") (which GALT Disclosure Letter shall be deemed to be

representations and warranties made to Intuit by GALT under this Section 3), each of the following representations and statements in this Section 3 are true and correct as of the Agreement Date:

3.1 Organization and Good Standing. GALT is a corporation duly organized, validly existing and in good standing under the laws of the State of Pennsylvania, has the corporate power and authority to own, operate and lease its properties and to carry on its business as now conducted and as proposed to be conducted, and is qualified to transact business as a foreign corporation in each jurisdiction in which a failure to be so qualified could reasonably be expected to have a material adverse effect on its operations or financial condition.

3.2 Power, Authorization and Validity.

3.2.1 GALT has the full corporate right, power and authority to enter into, execute, deliver and perform its obligations under this Agreement and each other agreement or document to which GALT is to be a party or which GALT is to execute pursuant to, or with Intuit concurrently with the execution of, this Agreement, including the Intuit Loan Agreement (as defined in Section 6.2) and the Services Agreement being entered into by and between GALT and Intuit concurrently with their execution of this Agreement (collectively, the "GALT ANCILLARY AGREEMENTS"), and GALT has all requisite corporate power and authority to consummate the Merger in accordance with the terms of this Agreement (including but not limited to the provisions of Section 2.11), subject to obtaining the requisite approval of the Merger by GALT's shareholders. The execution, delivery and performance of this Agreement and each of the GALT Ancillary Agreements have been duly and validly approved and authorized by all necessary corporate action on the part of GALT's Board of Directors. To the best knowledge of GALT, Robert Frasca, Joel Maske and David Stubenvoll, three principal shareholders of GALT (collectively, the "PRINCIPAL SHAREHOLDERS") have all requisite power and authority to enter into the Non-Competition Agreements and GALT Affiliate Agreements they are required to execute and deliver to Intuit pursuant to Section 9.

3.2.2 No filing, authorization, consent, approval or order, governmental or otherwise, is necessary or required to enable GALT to enter into, and to perform its obligations under, this Agreement and/or any of the GALT Ancillary Agreements, except for (a) the filing of the Agreement of Merger with the offices of the Delaware Secretary of State and the filing of the Articles of Merger with the Pennsylvania Department of State and the filing of appropriate documents with the relevant authorities of other states in which GALT is qualified to do business, if any, (b) such filings as may be required to comply with federal and state securities laws, and (c) the approval by the GALT shareholders of the transactions contemplated hereby.

3.2.3 This Agreement and the GALT Ancillary Agreements are, or when executed by GALT shall be, valid and binding obligations of GALT, enforceable in accordance with their respective terms.

3.3 Capitalization of GALT.

3.3.1 Outstanding Stock. The authorized capital stock of GALT consists entirely of 2,500,000 shares of Common Stock, par value $0.01 per share, of which 1,987,085

shares are issued and outstanding and 32,889 shares of Preferred Stock, par value $0.01 per share, of which 32,889 shares are designated Series A Participating Preferred Stock, par value $0.01 per share, all of which shares are issued and outstanding, and no other shares of the capital stock of GALT are authorized, issued or outstanding. Each share of GALT Series A Preferred Stock is convertible into ten (10) shares of GALT Common Stock as a result of a dividend in shares of GALT Common Stock that was paid to holders of GALT Common Stock on December 13, 1994. All issued and outstanding shares of GALT's capital stock have been duly authorized and validly issued, are fully paid and nonassessable, have been offered, issued, sold and delivered by GALT in compliance with all registration or qualification requirements (or applicable exemptions therefrom) of all applicable federal and state securities laws, are not subject to any claim, lien or preemptive right created by any action or agreement of GALT or any right of rescission enforceable against GALT, and, to the best knowledge of GALT, are not subject to any claim, lien, preemptive right or right of rescission created by any act or omission of any GALT shareholder. A list of all holders of GALT's capital stock and the number of shares held by each is set forth in Exhibit 3.3.1.

3.3.2 No Options, Warrants or Rights. Except for options to purchase a total of 139,135 shares of GALT Common Stock granted under the GALT Option Plan which are outstanding on the Agreement Date and except for the 32,889 outstanding shares of GALT Series A Preferred Stock described in Section 3.3.1, there are no options, warrants, convertible securities or other securities, calls, commitments, conversion privileges, preemptive rights or other rights or agreements outstanding to purchase or otherwise acquire (whether directly or indirectly) any shares of GALT's authorized but unissued capital stock or any securities convertible into or exchangeable for any shares of GALT's capital stock or obligating GALT to grant, issue, extend, or enter into any such option, warrant, convertible security, other security, call, commitment, conversion privilege, preemptive right or other right or agreement, and there is no liability for dividends accrued but unpaid. A total of 166,303 shares of GALT Common Stock are reserved for issuance under the GALT Option Plan, none of which shares have been issued as of the Agreement Date. To the best knowledge of GALT, no person or entity holds or has any option, warrant or other right to acquire any issued and outstanding shares of the capital stock of GALT from any holder of shares of the capital stock of GALT and no GALT shareholder is obligated to enter into or grant any such option, warrant or other right. A list of all holders of GALT Options and the number of GALT Options held by each such person is set forth in Exhibit 3.3.2. During the two (2) year period immediately prior to the Agreement Date, GALT has not authorized, or taken any action to authorize, the acceleration of the time during which any holder of any option, warrant or other right to purchase or acquire any share of capital stock of GALT may exercise such option, warrant or right.

3.3.3 No Voting Arrangements or Registration Rights. There are no voting agreements, voting trusts, rights of first refusal or other restrictions (other than normal restrictions on transfer under applicable federal and state securities laws) under any agreements, contracts or understanding to which GALT is a party or which are binding on GALT that are applicable to any of GALT's outstanding securities or to any securities issuable upon the conversion of any GALT securities in the Merger. To GALT's best knowledge, there are no voting agreements, voting trusts, rights of first refusal or other restrictions (other than normal restrictions on transfer under applicable federal and state securities laws) under any agreement,

contract or understanding not described in the first sentence of this Section 3.3.3 that apply to any of GALT's outstanding securities or to any securities issuable upon the conversion of any GALT securities in the Merger. GALT is not under any obligation to register under the 1933 Act any of its presently outstanding securities or any securities that may be subsequently issued by GALT.

3.4 No Subsidiaries; Not a Subsidiary. GALT does not have any subsidiaries or any interest, direct or indirect, in any corporation, partnership, limited liability company, joint venture or other business entity. GALT has never been a subsidiary of any corporation, partnership, limited liability company, joint venture or other business entity.

3.5 No Violation of Existing Agreements. Neither the execution and delivery of this Agreement nor any GALT Ancillary Agreement, nor the consummation of the transactions contemplated hereby, shall conflict with, or (with or without notice or lapse of time, or both) result in: (a) a termination, breach or violation of (i) any provision of the Articles of Incorporation or Bylaws of GALT, as currently in effect, or (ii) any federal, state, local or foreign judgment, writ, decree, order, statute, rule or regulation applicable to GALT or its assets or properties; or (b) a termination, material breach, impairment or violation of any material instrument, agreement, contract or commitment to which GALT is a party or by which GALT or its assets or properties

are bound. The consummation of the Merger by GALT shall not require the consent of any third party (other than the legally required approval of GALT's shareholders) and no agreement to which GALT is a party requires that any other party thereto consent to the Merger.

3.6 Litigation. There is no action, suit, arbitration, proceeding, claim or investigation pending against GALT or any officer or director of GALT in their capacity as such, or to the best knowledge of GALT, against any shareholder or other security holder of GALT in their capacity as such, before any court, administrative agency, tribunal, arbitrator or arbitration panel or other dispute resolution forum that, if determined adversely to GALT or any officer, director, shareholder or other security holder of GALT, may reasonably be expected to have a material adverse effect on the present or future operations or financial condition of GALT, nor, to the best of GALT's knowledge, has any such action, suit, arbitration, proceeding, claim or investigation been threatened. No person, firm, corporation or other entity has a legally valid claim upon which legal or equitable relief may be had against GALT, or, to the best knowledge of GALT, against any GALT security holder or Intuit based upon: (a) ownership, rights to ownership, or options, warrants or other rights to acquire ownership, of any shares of the capital stock of GALT; or (b) any rights as a GALT shareholder, including any option, warrant or preemptive rights or rights to notice or to vote. There is no judgment, decree, injunction, rule or order of any governmental entity or agency, court, arbitrator or other dispute resolution forum outstanding against GALT. There is, to the best of GALT's knowledge, no basis for any party to successfully assert a claim for any material damages or injunctive or other equitable relief against GALT or Intuit based on a claim that any product or service developed, owned, marketed, provided, distributed or used by GALT (a) infringes any intellectual property rights of any third party, (b) was or is defective in any material respect, or did not or shall not perform in accordance with any warranty, (c) was not or is not suitable for a use for which it was intended, or (d) did not conform to or comply with applicable law.

3.7 Taxes. GALT has timely filed all federal, state, local and foreign tax returns required to be filed, has timely paid all taxes required to be paid in respect of all periods for which returns have been filed, has established an adequate accrual or reserve for the payment of all taxes payable in respect of the periods subsequent to the periods covered by the most recent applicable tax returns, has made all necessary estimated tax payments, and has no material liability for taxes in excess of the amount so paid or accruals or reserves so established. GALT is not delinquent in the payment of any tax and is not delinquent in the filing of any tax returns, and no deficiencies for any tax have been threatened, claimed, proposed or assessed. GALT has not received any notification that any material issues have been raised (and are currently pending) by the Internal Revenue Service or any other taxing authority (including but not limited to any sales tax authority) and no tax return of GALT has ever been audited by the Internal Revenue Service or any other taxing agency or authority. No tax liens have been filed against any assets of GALT. GALT is not a "personal holding company" within the meaning of Section 542 of the Code.

For the purposes of this Agreement, the terms "TAX" and "TAXES" include all federal, state, local and foreign income, alternative or add-on minimum income, gains, franchise, excise, property, sales, use, employment, license, payroll, ad valorem, stamp, occupation, recording, value added or transfer taxes, governmental charges, fees, customs duties, tariffs, levies or assessments (whether payable directly or by withholding), and, with respect to such taxes, any estimated tax, interest and penalties or additions to tax and interest on such penalties and additions to tax.

3.8 GALT Financial Statements. GALT has delivered to Intuit as Exhibit 3.8: (i) GALT's draft audited balance sheet as of December 31, 1994, and draft audited statements of operations, changes in shareholders' equity and cash flows for the year ended December 31, 1994 and (ii) GALT's unaudited balance sheet (the "BALANCE SHEET") as of September 30, 1995 (the "BALANCE SHEET DATE") and unaudited statement of operations, and statement of cash flows for the nine-month period ended September 30, 1995 (such balance sheets and such statements of operations, changes in shareholders' equity and cash flows are hereinafter collectively referred to as the "GALT FINANCIAL STATEMENTS"). The GALT Financial Statements (a) are in accordance with the books and records of GALT, and (b) fairly present the financial condition of GALT at the dates therein indicated and the results of operations for the periods therein specified. GALT has no material debt or liability of any nature, whether accrued, absolute, contingent or otherwise, and whether due or to become due, that is not reflected or reserved against in the Balance Sheet, except for those that may have been incurred after the date of the Balance Sheet in the ordinary course of its business consistent with past practice. All reserves established by GALT and set forth in the Balance Sheet were reasonably adequate. At the Balance Sheet Date, there were no material loss contingencies (as such term is used in Statement of Financial Accounting Standards No. 5 issued by the Financial Accounting Standards Board in March 1975) which are not adequately provided for in the Balance Sheet as required by said Statement No. 5.

3.9 Title to Properties. GALT has good and marketable title to all of

its assets and properties as shown on the Balance Sheet, free and clear of all liens, mortgages, security interests, claims, charges, restrictions or encumbrances. All machinery, vehicles, equipment and

other tangible personal property included in such assets and properties are in good condition and repair, normal wear and tear excepted, and all leases of real or personal property to which GALT is a party are fully effective and afford GALT peaceful and undisturbed possession of the property leased thereunder in accordance with the terms of such leases. To its best knowledge, GALT is not in violation of any zoning, building, safety or environmental ordinance, regulation or requirement or other law or regulation applicable to the operation of owned or leased properties (the violation of which would have a material adverse effect on its business), and GALT has not received any notice of violation with which it has not complied. GALT does not own any real property.

3.10 Absence of Certain Changes. Since the Balance Sheet Date, there has not been with respect to GALT any:

(a) material adverse change in the condition (financial or otherwise), properties, assets, liabilities, businesses, operations, results of operations or prospects of GALT that occurred prior to the Agreement Date;

(b) amendments or changes in the Articles of Incorporation or Bylaws of GALT;

(c) (i) incurrence, creation, assumption or guarantee by GALT of (A) any mortgage, security interest, pledge, lien or other encumbrance on any of the assets or properties of GALT or (B) any material obligation, liability or indebtedness for borrowed money; or (ii) issuance or sale of any debt or equity securities of GALT or any options or other rights to acquire from GALT, directly or indirectly, any debt or equity securities of GALT;

(d) payment or discharge of a material lien or liability thereof, which lien was not either shown on the Balance Sheet or incurred in the ordinary course of business after the date of the Balance Sheet;

(e) purchase, license, sale or other disposition, or any agreement or other arrangement for the purchase, license, sale or other disposition, of any of the assets or properties of GALT other than in the ordinary course of business;

(f) damage, destruction or loss, whether or not covered by insurance, materially and adversely affecting the properties, assets or business of GALT;

(g) declaration, setting aside or payment of any dividend on, or the making of any other distribution in respect of, any of the capital stock of GALT, any split, combination or recapitalization of any of the capital stock of GALT or any direct or indirect redemption, purchase or other acquisition by GALT of any of the capital stock of GALT or any change in any rights, preferences, privileges or restrictions of any outstanding security of GALT;

(h) change or increase in the compensation payable or to become payable to any of the officers or employees of GALT, or any bonus or pension, insurance or other benefit payment or arrangement (including without limitation stock awards, stock appreciation rights or stock option grants) made to or with any of such officers, employees or agents except in

connection with normal employee salary or performance reviews or otherwise in the ordinary course of business consistent with past practice;

(i) addition, resignation or termination of members of the management, supervisory or other key personnel of GALT;

(j) obligation or liability incurred by GALT to any of its officers, directors or shareholders except normal compensation and expense allowances payable to officers;

(k) making of any loan, advance or capital contribution to, or any investment in, any officer, director or shareholder other than (i) travel loans or advances made in the ordinary course of business of GALT and (ii) other loans and advances in an aggregate amount which does not exceed $25,000 outstanding at any time;

(l) entering into, amendment of, relinquishment, termination or non-renewal by GALT of any material contract, lease transaction, commitment or other material right or obligation other than in the ordinary course of business;

(m) any transfer or grant of a right under any of the GALT IP Rights (as defined in Section 3.13 below), other than those transferred or

granted in the ordinary course of GALT's business consistent with past practices; or

(n) any agreement or arrangement made by GALT to take any action which, if taken prior to the date of this Agreement, would have made any representation or warranty of GALT set forth in this Agreement untrue or incorrect as of the date when made.

3.11 Contracts and Commitments. Exhibit 3.11 sets forth a list of each of the following written or oral contracts, agreements, commitments or other instruments which are currently in effect and to which GALT is a party or to which GALT or any of its assets or properties is bound:

(a) contract with or commitment to any labor union;

(b) continuing contract for the future purchase, sale or manufacture of products, material, supplies, equipment or services requiring payment to or from GALT in an amount in excess of $25,000 per annum which is not terminable on 120 days' or less notice without cost or other liability to GALT at or at any time after the Effective Time or in which GALT has granted or received manufacturing rights, most favored nations pricing provisions or exclusive marketing rights relating to any product, group of products or territory;

(c) contract providing for the development of software by or for GALT, or for the license of software to or from GALT, which software is used or incorporated in any products currently distributed or services currently provided by GALT or is contemplated to be used or incorporated in any products to be distributed or services to be provided by GALT (other than software generally available to the public which is currently licensed to GALT at a per copy license fee of less than $1,000 per copy);

(d) joint venture or partnership contract or agreement or other agreement which involves a sharing of profits or losses in excess of $25,000 per annum with any other party;

(e) contract or commitment for the employment of any officer, employee or consultant of GALT or any other type of contract or understanding with any officer, employee or consultant of GALT which is not immediately terminable by GALT without cost or other liability in excess of $1,000;

(f) indenture, mortgage, promissory note, loan agreement, guarantee, security agreement or other agreement or commitment for the borrowing of money, for a line of credit or for a leasing transaction of a type required to be capitalized in accordance with Statement of Financial Accounting Standards No. 13 of the Financial Accounting Standards Board;

(g) lease or other agreement under which GALT is lessee of or holds or operates any items of tangible personal property or real property owned by any third party and under which payments to such third party exceed $20,000 per annum;

(h) agreement or arrangement for the sale of any assets, properties or rights having a value in excess of $20,000, other than in the ordinary course of business consistent with past practice;

(i) agreement which restricts GALT from engaging in any aspect of its business or competing in any line of business in any geographic area;

(j) GALT IP Rights Agreement (as defined in Section 3.13 below);

(k) any agreement relating to the sale, issuance, grant, exercise, award, purchase, repurchase or redemption of any shares of capital stock or other securities of GALT or any options, warrants or other rights to purchase or otherwise acquire any such shares of stock, other securities or options, warrants or other rights therefor; or

(l) any other agreement, contract, commitment or instrument that is material to the business of GALT or involves a commitment in excess of $25,000 by GALT.

A copy of each agreement or document required to be listed on Exhibit 3.11 (collectively, the "GALT MATERIAL AGREEMENTS") has been delivered to Intuit's counsel. No consent or approval of any third party (including but not limited to any consent to assignment) is required to ensure that, following the Closing of the Merger, any GALT Material Agreement (other than the agreements of GALT listed in Exhibit 3.11A hereto) shall continue to be in full force and effect without any breach or violation thereof caused by virtue of the Merger or any other transaction called for by this Agreement.

3.12 No Default. GALT is not in breach or default in any material respect under any contract, agreement, commitment or other instrument or

obligation that is required to be listed on Exhibit 3.11 or that is otherwise material to the business of GALT. GALT is not a party to any contract, agreement or arrangement which has had or could reasonably be expected to have a

material adverse effect on its business. GALT has no material liability for renegotiation of government contracts or subcontracts, if any.

3.13 Intellectual Property.

3.13.1 As used herein, the term "INTELLECTUAL PROPERTY RIGHTS" means, collectively, all worldwide industrial and intellectual property rights, including, without limitation, patents, patent applications, patent rights, trademarks, trademark applications, trade names, service marks, service mark applications, trade dress, moral rights, copyrights, copyright applications, licenses, inventions, know-how, trade secrets, customer lists, proprietary processes and formulae, software source and object code, algorithms, architecture, structure, display screens, layouts, inventions, development tools and all documentation and media constituting, describing or relating to the above, including, without limitation, manuals, memoranda and records. GALT owns, or has the right to use, sell or license, all Intellectual Property Rights that are necessary or required for the conduct of its business as presently conducted (such Intellectual Property Rights being hereinafter collectively referred to as the "GALT IP RIGHTS"), and such rights to use, sell or license are sufficient for such conduct of its business as presently conducted.

3.13.2 The execution, delivery and performance of this Agreement and the consummation of the Merger and the other transactions contemplated hereby shall not constitute a material breach or default of any instrument, contract, license or other agreement granting, licensing or otherwise governing or affecting any GALT IP Right (the "GALT IP RIGHTS AGREEMENTS"), shall not cause the forfeiture or termination or give rise to a right of forfeiture or termination, of any GALT IP Right or materially impair the right of GALT or the Surviving Corporation to use, sell or license any GALT IP Right or portion thereof (except where such breach, forfeiture or termination would not have a material adverse effect on GALT). There are no royalties, honoraria, fees or other payments payable by GALT to any person by reason of the ownership, use, license, sale or disposition of any of the GALT IP Rights.

3.13.3 Neither the manufacture, marketing, license, sale or presently intended use of any product or service currently licensed, marketed, sold or provided by GALT or currently under development by GALT violates any license or agreement between GALT and any third party or, in its current form, infringes any Intellectual Property Right of any other party (except that, to the extent that the foregoing representation as to non-infringement applies to third-party Intellectual Property Rights that are being infringed by standard industry practices of GALT's competitors or other businesses engaged in commercial activity involving the Internet or other on-line products, services or technologies, such representation is only made as to GALT's best knowledge and belief); and there is no pending or threatened claim or litigation contesting the validity, ownership or right to use, sell, license or dispose of any GALT IP Right nor, to the best knowledge of GALT, is there any basis for any such claim, nor has GALT received any notice asserting that any GALT IP Right or the proposed use, sale, license or disposition thereof conflicts or shall conflict with the rights of any other party, nor, to the best knowledge of GALT, is there any basis for any such assertion. To the best knowledge of GALT, no employee, consultant or independent contractor of GALT is in violation of any term of any non-competition agreement relating to the right of any such employee, consultant or independent contractor to be employed or hired by GALT. No product or technology licensed, marketed or sold by GALT or

currently under development by GALT incorporates, uses or is based on, any misappropriated Intellectual Property Rights of any third party.

3.13.4 GALT has taken reasonable and practicable steps designed to protect, preserve and maintain the secrecy and confidentiality of all its proprietary software and other trade secrets and all GALT's proprietary rights therein. All officers, employees, consultants and independent contractors of GALT who (a) have had access to proprietary information of GALT or any of its suppliers, vendors, licensees or customers or (b) who have participated in any manner in the creation, design or development of any software, technology, product or service developed by or for GALT, have executed and delivered to GALT an agreement regarding the protection of such proprietary information and the assignment of inventions to GALT in the form provided to Intuit's counsel, and copies of all such executed agreements have been delivered to Intuit's counsel.

3.13.5 Exhibit 3.13 contains a list of all worldwide applications, registrations, filings and other formal actions made or taken pursuant to federal, state and foreign laws by GALT to secure, perfect or protect its interest in GALT IP Rights, including, without limitation, all patents, patent applications, copyrights (whether or not registered), copyright applications, trademarks and service marks (whether or not registered) and

trademark and service mark applications.

3.14 Compliance with Laws. GALT has complied, and is in full compliance, in all material respects, with all applicable federal, state, local or foreign laws, ordinances, regulations, and rules, and all orders, writs, injunctions, awards, judgments, and decrees applicable to it, its business or its assets and properties (the violation of which would have a material adverse effect upon its business). GALT holds all permits, licenses, consents and approvals from, and has made all filings with any government agencies and authorities that are necessary in connection with its present business. GALT is not required to be registered as an investment adviser under the Investment Adviser's Act of 1940, as amended.

3.15 Certain Transactions and Agreements. None of the officers or directors of GALT, nor any member of their immediate families, has any direct or indirect ownership interest in any firm or corporation that directly competes with, or does business with, or has any contractual arrangement with GALT (except with respect to any interest in less than one percent (1%) of the stock of any corporation whose stock is publicly traded). None of said officers or directors, nor any member of their immediate families, is directly or indirectly interested in any contract or informal arrangement with GALT, except for normal compensation for services as an officer, director or employee thereof that have been disclosed to Intuit. None of said officers or directors or family members has any interest in any property, real or personal, tangible or intangible, including any GALT IP Rights or any other Intellectual Property Rights, used in or pertaining to the business of GALT, except for the normal rights of a shareholder.

3.16. Employees, ERISA and Other Compliance.

3.16.1 GALT is in compliance in all material respects with all applicable laws, agreements and contracts relating to employment, employment practices, wages, hours, and terms and conditions of employment, including, but not limited to, employee compensation

matters. A list of all employees, officers and consultants of GALT and their current compensation is set forth on Exhibit 3.16.1, which has been delivered to Intuit. GALT does not have any employment contracts or consulting agreements currently in effect that are not terminable at will (other than agreements with the sole purpose of providing for the confidentiality of proprietary information or assignment of inventions).

3.16.2 GALT (i) has never been, and is not now, subject to a union organizing effort, (ii) is not subject to any collective bargaining agreement with respect to any of its employees, (iii) is not subject to any other contract, written or oral, with any trade or labor union, employees' association or similar organization, and (iv) has no current labor disputes. GALT has good labor relations, and has no knowledge of any facts indicating that the consummation of the transactions contemplated hereby shall have a material adverse effect on such labor relations, and has no knowledge that any of its key employees intends to leave its employ.

3.16.3 Exhibit 3.16.3 identifies (a) each "employee benefit plan," as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and (b) all other written plans or agreements involving direct or indirect compensation or benefits (including any employment agreements entered into between GALT and any employee of GALT, but excluding worker's compensation, unemployment compensation and other government-mandated programs) currently or previously maintained, contributed to or entered into by GALT under which GALT or any ERISA Affiliate (as defined below) of GALT has any present or future obligation or liability (collectively, the "GALT EMPLOYEE PLANS"). For purposes of this Section, "ERISA AFFILIATE" means any entity which is a member of (A) a "controlled group of corporations," as defined in Section 414(b) of the Code, (B) a group of entities under "common control," as defined in Section 414(c) of the Code, or (C) an "affiliated service group," as defined in Section 414(m) of the Code, or treasury regulations promulgated under Section 414(o) of the Code, any of which includes GALT. Copies of all GALT Employee Plans (and, if applicable, related trust agreements) and all amendments thereto and written interpretations thereof (including summary plan descriptions) have been delivered to Intuit or its counsel. All GALT Employee Plans which individually or collectively would constitute an "employee pension benefit plan," as defined in Section 3(2) of ERISA (collectively, the "GALT PENSION PLANS"), are identified as such in Exhibit 3.16.3. All contributions due from GALT with respect to any of the GALT Employee Plans have been made as required under ERISA or have been accrued on GALT's financial statements as of the Balance Sheet Date. Each GALT Employee Plan has been maintained in compliance with its terms and with the requirements prescribed by any and all statutes, orders, rules and regulations, including, without limitation, ERISA and the Code, which are applicable to such GALT Employee Plans.

3.16.4 No GALT Pension Plan constitutes, or has since the enactment of ERISA constituted, a "multiemployer plan," as defined in Section 3(37) of ERISA. No GALT Pension Plans are subject to Title IV of ERISA. No

"prohibited transaction," as defined in Section 406 of ERISA or Section 4975 of the Code, has occurred with respect to any GALT Employee Plan which is covered by Title I of ERISA which would result in a material liability to GALT, excluding transactions effected pursuant to a statutory or administrative exemption. Nothing done or omitted to be done and no transaction or holding of any asset under or in connection with any GALT Employee Plan has or shall make GALT or any officer or director of

GALT subject to any material liability under Title I of ERISA or liable for any material tax (as defined in Section 3.7) or penalty pursuant to Sections 4972, 4975, 4976 or 4979 of the Code or Section 502 of ERISA.

3.16.5 Any GALT Pension Plan which is intended to be qualified under Section 401(a) of the Code (a "GALT 401(a) PLAN") is so qualified and has been so qualified during the period from its adoption to date, and the trust forming a part thereof is exempt from tax pursuant to Section 501(a) of the Code. GALT has delivered to Intuit or its counsel a complete and correct copy of the most recent Internal Revenue Service determination letter with respect to each GALT 401(a) Plan.

3.16.6 Exhibit 3.16.6 lists each employment, severance or other similar contract, arrangement or policy and each plan or arrangement (written or oral) providing for insurance coverage (including any self-insured arrangements), workers' benefits, vacation benefits, severance benefits, disability benefits, death benefits, hospitalization benefits, retirement benefits, deferred compensation, profit-sharing, bonuses, stock options, stock purchase, phantom stock, stock appreciation or other forms of incentive compensation or post-retirement insurance, compensation or benefits for employees, consultants or directors which (a) is not a GALT Employee Plan, (b) is entered into, maintained or contributed to by GALT and (c) covers any employee or former employee of GALT. Such contracts, plans and arrangements as are described in this Section 3.16.6 are hereinafter collectively referred to as the "GALT BENEFIT ARRANGEMENTS." Each GALT Benefit Arrangement has been maintained in substantial compliance with its terms and with the requirements prescribed by any and all statutes, orders, rules and regulations that are applicable to such GALT Benefit Arrangement. GALT has delivered to Intuit or its counsel a complete and correct copy or description of each GALT Benefit Arrangement.

3.16.7 Since December 31, 1994 there has been no amendment to, written interpretation or announcement (whether or not written) by GALT relating to, or change in employee participation or coverage under, any GALT Employee Plan or GALT Benefit Arrangement that would increase materially the expense of maintaining such GALT Employee Plan or GALT Benefit Arrangement.

3.16.8 GALT has provided, or shall have provided prior to the Closing, to individuals entitled thereto all required notices and coverage pursuant to Section 4980B of the Code and the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"), with respect to any "qualifying event" (as defined in Section 4980B(f)(3) of the Code) occurring prior to and including the Closing Date, and no material Tax payable on account of Section 4980B of the Code has been incurred with respect to any current or former employees of GALT (or their beneficiaries).

3.16.9 No benefit payable or which may become payable by GALT pursuant to any GALT Employee Plan or any GALT Benefit Arrangement or as a result of or arising under this Agreement shall constitute an "excess parachute payment" (as defined in Section 280G(b)(1) of the Code) which is subject to the imposition of an excise Tax under Section 4999 of the Code or which would not be deductible by reason of Section 280G of the Code. GALT is not a party

to any (a) agreement with any executive officer or other key employee of GALT (i) the benefits of which are contingent, or the terms of which are materially altered, upon the occurrence of a transaction involving GALT in the nature of any of the transactions contemplated by this Agreement and the Merger, (ii) providing any term of employment or compensation guarantee, or (iii) providing severance benefits or other benefits after the termination of employment of such employee regardless of the reason for such termination of employment, or (b) agreement or plan, including, without limitation, any stock option plan, stock appreciation rights plan or stock purchase plan, any of the benefits of which shall be materially increased, or the vesting of benefits of which shall be materially accelerated, by the occurrence of any of the transactions contemplated by this Agreement and the Merger or the value of any of the benefits of which shall be calculated on the basis of any of the transactions contemplated by this Agreement and the Merger.

3.17 Corporate Documents. GALT has made available to Intuit for examination all documents listed in the GALT Disclosure Letter or other Exhibits called for by this Agreement which have been requested by Intuit's legal counsel, including, without limitation, the following: (a) copies of GALT's Articles of Incorporation and Bylaws as currently in effect; (b) GALT's Minute

Book containing all records of all proceedings, consents, actions, and meetings of GALT's shareholders, board of directors and any committees thereof; (c) GALT's stock ledger and journal reflecting all stock issuances and transfers; and (d) all permits, orders, and consents issued by any regulatory agency with respect to GALT, or any securities of GALT, and all applications for such permits, orders, and consents.

3.18 No Brokers. GALT is not obligated for the payment of fees or expenses of any investment banker, broker or finder in connection with the origin, negotiation or execution of this Agreement or the Merger or in connection with any transaction contemplated hereby or thereby.

3.19 Books and Records. The books, records and accounts of GALT and its Subsidiaries (a) are in all material respects true, complete and correct, (b) have been maintained in accordance with commercially reasonable business practices on a basis consistent with prior years, (c) are stated in reasonable detail and accurately and fairly reflect the transactions and dispositions of the assets of GALT, and (d) accurately and fairly reflect the basis for the GALT Financial Statements. GALT maintains a system of internal accounting controls sufficient to permit preparation of financial statements in conformity with generally accepted accounting principles.

3.20 Insurance. GALT maintains fire and casualty, general liability, business interruption, product liability, errors and omissions, and sprinkler and water damage insurance which GALT believes to be reasonably prudent for similarly sized and similarly situated businesses.

3.21 Environmental Matters.

3.21.1 To the best knowledge of GALT, during the period that GALT has leased or owned its properties or owned or operated any facilities, there have been no disposals, releases or threatened releases of Hazardous Materials (as defined below) on, from or under such properties or facilities. GALT has no knowledge of any presence, disposals, releases or

threatened releases of Hazardous Materials on, from or under any of such properties or facilities, which may have occurred prior to GALT having taken possession of any of such properties or facilities. For the purposes of this Agreement, the terms "DISPOSAL," "RELEASE," and "THREATENED RELEASE" shall have the definitions assigned thereto by the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. Section 9601 et seq., as amended ("CERCLA"). For the purposes of this AgreEment "HAZARDOUS MATERIALS" shall mean any hazardous or toxic substance, material or waste which is or becomes prior to the Closing regulated under, or defined as a "hazardous substance," "pollutant," "contaminant," "toxic chemical," "hazardous materials," "toxic substance" or "hazardous chemical" under (a) CERCLA; (b) any similar federal, state or local law; or (c) regulations promulgated under any of the above laws or statutes.

3.21.2 To the best knowledge of GALT, none of the properties or facilities of GALT is in violation of any federal, state or local law, ordinance, regulation or order relating to industrial hygiene or to the environmental conditions on, under or about such properties or facilities, including, but not limited to, soil and ground water condition. During the time that GALT has owned or leased its properties and facilities, neither GALT nor to GALT's best knowledge, any third party, has used, generated, manufactured or stored on, under or about such properties or facilities or transported to or from such properties or facilities any Hazardous Materials other than those present in normal and lawful amounts in normal office cleaning supplies.

3.21.3 During the time that GALT has owned or leased its properties and facilities: (a) there has been no litigation brought or threatened against GALT or any settlement reached by GALT with, any party or parties alleging the presence, disposal, release or threatened release of any Hazardous Materials on, from or under any of such properties or facilities; and (b) to the best of GALT's knowledge, there has been no litigation brought or threatened against any lessor or owner of real property leased by GALT or any settlement reached by such lessor or owner with any party or parties alleging the presence, disposal, release or threatened release of any Hazardous Materials on, from or under any of such properties or facilities.

3.22 Full Disclosure. All of the representations and warranties made by GALT under Section 3 of this Agreement (as qualified by the GALT Disclosure Letter) are true, correct and complete in all material respects and do not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make such representations, warranties or statements, in light of the circumstances under which they were made, not misleading.

4. REPRESENTATIONS AND WARRANTIES OF INTUIT

Intuit hereby represents and warrants, that, except as set forth in a letter addressed to GALT dated the Agreement Date and delivered by Intuit to GALT concurrently herewith (the "INTUIT DISCLOSURE LETTER") (which Intuit Disclosure Letter shall be deemed to be representations and warranties made to

GALT by Intuit under this Section 4), each of the following representations and statements in this Section 4 are true and correct as of the Agreement Date:

4.1 Organization and Good Standing. Intuit is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, and has the corporate

power and authority to own, operate and lease its properties and to carry on its business as now conducted and as proposed to be conducted.

4.2 Power, Authorization and Validity.

4.2.1 Intuit has the right, power, legal capacity and authority to enter into, execute and perform its obligations under this Agreement and all agreements to which Intuit is or shall be a party that are to be executed by Intuit pursuant to, or with GALT concurrently with, the execution of this Agreement, including the Intuit Loan Agreement (as defined in Section 6.2) and the Services Agreement being entered into by and between GALT and Intuit concurrently with their execution of this Agreement (collectively, the "INTUIT ANCILLARY AGREEMENTS"). The execution, delivery and performance of this Agreement and the Intuit Ancillary Agreements have been duly and validly approved and authorized by Intuit's Board of Directors.

4.2.2 No filing, authorization or approval, governmental or otherwise, is necessary to enable Intuit to enter into and to perform its obligations under this Agreement and the Intuit Ancillary Agreements, except for (a) the filing of the Agreement of Merger with the offices of the Delaware Secretary of State and the filing of the Articles of Merger with the Pennsylvania Department of State and the filing of appropriate documents with the relevant authorities of other states in which Intuit is qualified to do business, if any; (b) the filing of the Permit Application with the Department and such other filings as may be required to comply with federal and state securities laws; and (d) any filing (if any) that may be required by the Hart-Scott-Rodino Antitrust Improvements Act ("HSR ACT").

4.2.3 This Agreement and the Intuit Ancillary Agreements are, or when executed by Intuit shall be, valid and binding obligations of Intuit enforceable in accordance with their respective terms, except as to the effect, if any, of (a) applicable bankruptcy and other similar laws affecting the rights of creditors generally, and (b) rules of law and equity governing specific performance, injunctive relief and other equitable remedies.

4.3 Capital Structure. The authorized capital stock of Intuit consists of 60,000,000 shares of Intuit Common Stock, $0.01 par value, and 3,000,000 shares of Preferred Stock, $0.01 par value (the "INTUIT PREFERRED STOCK"), of which 144,918 shares are designated Series A Preferred Stock, 1,655,082 shares are formerly authorized shares of Series A Preferred Stock that are not currently issuable by Intuit under the terms of Intuit's Certificate of Incorporation and 1,200,000 shares are undesignated. At the close of business on October 13, 1995, approximately 44,201,321 shares of Intuit Common Stock were issued and outstanding, and 4,377 shares of Intuit Common Stock were held by Intuit in its treasury. No shares of Intuit Preferred Stock are issued or outstanding.

4.4 No Violation of Existing Agreements. Neither the execution and delivery of this Agreement nor any Intuit Ancillary Agreement, nor the consummation of the transactions contemplated hereby and thereby, shall conflict with, or (with or without notice or lapse of time, or both) result in: (a) a termination, breach, impairment or violation of (i) any provision of the Certificate of Incorporation or Bylaws of Intuit, as currently in effect or (ii) any federal, state, local or foreign judgment, writ, decree, order, statute, rule or regulation applicable to Intuit or its assets or properties; or (b) a termination, or a material breach, impairment or violation, of any

material instrument, agreement, contract or commitment to which Intuit is a party or by which Intuit or its assets or properties are bound that would have a material adverse effect on the business or financial condition of Intuit and its subsidiaries, taken as a whole.

4.5 Intuit Disclosure Package. Intuit has delivered to GALT or its counsel the proxy materials dated June 20, 1995 that were distributed by Intuit to its stockholders in connection with Intuit's Annual Meeting of Stockholders held on July 20, 1995 and a copy of the Prospectus dated June 20, 1995 covering a registered public offering of Intuit Common Stock (collectively, the "INTUIT DISCLOSURE PACKAGE").

4.6 Financial Statements. The financial statements of Intuit included in the documents in the Intuit Disclosure Package complied as to form in all material respects with the then applicable accounting requirements and the published rules and regulations of the SEC with respect thereto, were prepared in accordance with generally accepted accounting principles applied on a

consistent basis during the periods involved (except as may have been indicated in the notes thereto or, in the case of any unaudited statements, as permitted by the SEC) and fairly present (subject, in the case of the unaudited statements, to normal, year-end audit adjustments) the consolidated financial position of Intuit and its consolidated subsidiaries as at the respective dates thereof and the consolidated results of their operations and cash flows.

4.7 Validity of Shares. The shares of Intuit Common Stock to be issued pursuant to the Merger shall, when issued, (a) be duly authorized, validly issued, fully paid and nonassessable, (b) assuming the Permit is issued by the Department following, and pursuant to, the Fairness Hearing so as to qualify for the exemption from registration afforded by Section 3(a)(10) of the 1933 Act, be free and clear of any restrictions, liens and encumbrances except for applicable restrictions on transfer under Rule 145(d) as promulgated under the 1933 Act and under any GALT Affiliate Agreement to be executed pursuant to this Agreement and (c) not be subject to any preemptive rights created by statute, the Certificate of Incorporation or the Bylaws of Intuit.

4.8 Absence of Litigation. There is no claim, action, proceeding or investigation pending or, to the best knowledge of Intuit, threatened against Intuit or any property or asset of Intuit, before any court, arbitrator or administrative, governmental or regulatory authority or body, domestic or foreign, which is not disclosed in the Intuit Disclosure Package or which, individually or in the aggregate, would have a material adverse effect on Intuit. Neither Intuit nor any property or asset of Intuit, is subject to any order, writ, judgment, injunction, decree, determination or award which would have, individually or in the aggregate, a material adverse effect on the business or financial condition of Intuit and its subsidiaries, taken as a whole.

5. GALT COVENANTS

5.1 Preclosing Covenants. During the period from the Agreement Date until the earlier to occur of (i) the Effective Time or (ii) the termination of this Agreement in accordance with Section 10, GALT covenants and agrees with Intuit as follows:

5.1.1 Cooperation; Advice of Changes. GALT shall promptly advise Intuit in writing (a) of any event occurring subsequent to the Agreement Date of which GALT becomes aware that would render any representation or warranty of GALT contained in Section 3 of this

Agreement (as qualified by the GALT Disclosure Letter) materially inaccurate if such representation or warranty had been made on or as of the date of any such event and (b) of any material adverse change in GALT's business, results of operations or financial condition of which GALT becomes aware. GALT shall deliver to Intuit within fifteen (15) days after the end of each full calendar month ending after the Agreement Date and before the Closing Date, an unaudited balance sheet, statement of operations and statement of cash flows for such monthly period. GALT shall use best efforts to assist Intuit to ensure that the Surviving Corporation has all authorizations, approvals, registrations, licenses and other consents of any governmental or other regulatory body necessary to conduct its business as contemplated hereby.

5.1.2 Maintenance of Business. GALT shall use its best efforts to carry on and preserve its business and its relationships with customers, suppliers, licensors, employees and others in substantially the same manner as it has prior to the date hereof.

5.1.3 Conduct of Business. GALT shall continue to conduct its business and maintain its business relationships in the ordinary course.

5.1.4 Certain Actions. GALT shall not, without the prior written consent of the Chief Executive Officer of Intuit:

(a) borrow or lend any money (other than (i) funds borrowed from Intuit pursuant to the Intuit Loan Agreement referred to in Section 6.2 hereof or (ii) pursuant to any bank credit line or similar credit facility approved in writing by Intuit) or encumber or voluntarily permit any of its assets to be encumbered or subject to any lien except to secure loans permitted under the foregoing provisions of this subparagraph (a) and except in the ordinary course of its business consistent with past practice and to an extent which is not material;

(b) enter into, amend or terminate any transaction, lease, contract or other agreement that (i) would materially increase GALT's working capital requirements in amounts that can not be reasonably satisfied by the amount of funds that Intuit is required to loan to GALT under the Intuit Loan Agreement (as defined in Section 6.2 hereof) or any other bank credit line or similar credit facility of GALT that has been approved in writing by Intuit; (ii) would adversely affect Intuit's ability to operate, or obtain the financial benefit of, the business of GALT following the Effective Time; or (iii) that contains any terms or conditions that would make consummation of the Merger a

breach or violation of such transaction, lease, contract or other agreement;

(c) sell, lease or otherwise dispose of any of its assets that are material to it, whether individually or in the aggregate, or license any of its technology or intellectual property on any exclusive basis or in any other manner that would adversely affect Intuit's ability to successfully exploit such technology or intellectual property after the Effective Time consistent with GALT's historic business practices;

(d) pay (or make any commitment to pay) any bonus, increased salary or special remuneration to any officer or to any employee who owns GALT Stock representing more than five percent (5%) of the voting power of all outstanding GALT Stock (except for normal salary increases consistent with past practices not to exceed ten percent (10%)

of such officer's or employee's base annual salary, and except pursuant to existing arrangements previously disclosed in the GALT Disclosure Letter or disclosed by GALT in writing to Intuit and approved in writing by Intuit, after the Agreement Date) or enter into any new employment agreement with any such person;

(e) change any of its accounting methods in any material respect that is not approved by Intuit's independent auditors (such approval not to be unreasonably withheld);

(f) guarantee, or act as a surety for, any obligation of any third party;

(g) declare, set aside or pay any cash or stock dividend or other distribution in respect of capital stock, or redeem, repurchase or otherwise acquire any of its capital stock;

(h) issue or sell any shares of its capital stock of any class (except for an issuance of GALT Common Stock upon the exercise of a GALT Option that is disclosed in Section 3.3 as, and is in fact, outstanding on the Agreement Date or upon the exercise of a GALT Option that is permitted to be granted under the following provisions of this subparagraph (h)), or any other of its securities, or issue or create any warrants, obligations, subscriptions, options, convertible securities, or other commitments to issue any shares of capital stock or other securities of GALT (except for the grant to GALT employees of GALT Options to purchase not more than an aggregate total of 183,697 shares of GALT Common Stock, as now constituted, pursuant to the GALT Stock Option Plan, where such grants are made in the ordinary course of business at levels and for purposes consistent with GALT's past practices and with the consent of Intuit, which consent shall not be unreasonably withheld consistent with the ability to have the Merger accounted for as a "pooling of interests" transaction);

(i) split, combine or reclassify any outstanding shares of its capital stock of any class or series, enter into any recapitalization affecting the number of outstanding shares of its capital stock of any class or affecting any other of its securities, modify any rights of any of its securities, accelerate the vesting of any outstanding option or other security, or otherwise change the equity interest of any of its voting securities;

(j) merge, consolidate or reorganize with, or acquire any entity other than Intuit Sub or Intuit;

(k) amend its Articles of Incorporation or Bylaws; or

(l) agree to do any of the things described in the preceding clauses 5.1.4(a) through 5.1.4(k).

provided, however, that notwithstanding the foregoing, GALT shall be excused from compliance with the foregoing provisions of this subparagraph 5.1.4 to the extent that they prohibit GALT from borrowing money and encumbering its assets in connection with such borrowing or prohibit GALT from issuing shares of GALT Common Stock and/or GALT Series A Preferred stock if, and only if Intuit has materially breached its obligation to advance loans to GALT under the

Intuit Loan Agreement and failed to cure such material breach within three (3) business days after receiving written notice of such material breach from GALT.

5.1.5 Shareholder Approval. GALT shall, in cooperation with Intuit, call and hold a special meeting of GALT's shareholders or solicit the written consent of GALT's shareholders at the earliest practicable date after the conclusion of the Fairness Hearing (unless Intuit requests GALT to defer such meeting or consent) to submit this Agreement, the Agreement of Merger, the Merger and related matters for the consideration and approval of GALT's

shareholders, which approval shall be recommended by GALT's Board of Directors (such vote or consent of the GALT shareholders is hereinafter referred to as the "GALT SHAREHOLDER VOTE").

5.1.6 Preparation of Permit Application, Hearing Request and Hearing Notice. GALT shall cooperate in good faith with Intuit to have the Permit Application promptly prepared, filed and to have the notice of the Fairness Hearing in the form approved by the Commissioner promptly sent to all GALT's security holders so that the Permit can be issued and declared effective under the California Law as promptly as practicable, and shall cause at least one GALT officer and GALT's counsel to attend the Fairness Hearing. GALT shall be solely responsible for any statement, information or omission relating to GALT or its affiliates that is contained in the Permit Application, the Fairness Hearing notice or the Information Statement.

5.1.7 Regulatory Approvals. GALT shall use reasonable, good faith efforts to obtain, and to cooperate with Intuit to obtain, all authorizations, approvals and consents of any governmental body, which may be reasonably required in connection with the consummation of the Merger and/or any other transaction contemplated by this Agreement in accordance with the terms of this Agreement.

5.1.8 Necessary Consents. GALT shall cooperate with Intuit to obtain such written consents, waivers or approvals as are required to allow the consummation of the transactions contemplated hereby, to allow Intuit and Intuit Sub to carry on GALT's business after the Closing and to allow Intuit (or Intuit Sub) to enjoy the full benefit of any material lease, mortgage, contract, agreement or instrument to which GALT is a party or by which GALT or its property is or may be bound at the Closing Date.

5.1.9 Litigation. GALT shall notify Intuit in writing promptly after learning of any material action, suit, claim, arbitration, proceeding or investigation by or before any court, arbitrator or arbitration panel, board or governmental agency, initiated by or against it, or known by it to be threatened against it.

5.1.10 No Other Negotiations. GALT shall not, and shall not authorize, encourage or direct any officer, director, employee or affiliate of GALT, or any other person, on its behalf to, directly or indirectly, solicit or encourage any offer from any party or consider any inquiries or proposals received from any other party, participate in any negotiations regarding, or furnish to any person any information with respect to, or otherwise cooperate with, facilitate or encourage, any effort or attempt by any person (other than Intuit), concerning any agreement or transaction regarding the possible disposition of all or any substantial portion of GALT's business, assets or capital stock by merger, consolidation, sale of assets or any other means of business combination (an "ALTERNATIVE TRANSACTION"). GALT shall promptly notify Intuit orally

and in writing of any such inquiries or proposals. In addition GALT shall not execute, enter into or become bound by (a) a letter of intent or other agreement between GALT and any third party that is related to an Alternative Transaction and pursuant to which GALT makes any agreement that would be binding on Intuit if the Merger occurred or that may adversely affect GALT's assets or the consummation of the Merger, or (b) an agreement or commitment between GALT and a third party providing for an Alternative Transaction.

5.1.11 Access to Information. Until the Closing, GALT shall allow Intuit and its agents reasonable access to the files, books, records and offices of GALT, including, without limitation, any and all information relating to GALT's taxes, commitments, contracts, leases, licenses, and real, personal, intangible and intellectual property and financial condition, subject to the terms of the letter confidentiality agreement between GALT and Intuit dated as of October 17, 1995 (the "CONFIDENTIALITY AGREEMENT"). GALT shall authorize and request its accountants to cooperate with Intuit and its agents in making available all financial information reasonably requested, including without limitation the right to examine all working papers pertaining to all financial statements prepared or audited by such accountants.

5.1.12 Satisfaction of Conditions Precedent. GALT shall use its best efforts to satisfy or cause to be satisfied all the conditions precedent which are set forth in Sections 8 and 9 (insofar as satisfaction of such conditions is within GALT's reasonable control), and GALT shall use its best efforts to cause the transactions contemplated by this Agreement to be consummated.

5.1.13 GALT Affiliates Agreements. Concurrently with the execution of this Agreement GALT shall deliver to Intuit a letter identifying all GALT's directors, officers, ten percent or greater shareholders and all persons who are "affiliates" of GALT within the meaning of Rule 145 or Rule 405 under the 1933 Act at the time this Agreement is executed ("GALT AFFILIATES"). GALT shall cause each GALT Affiliate to deliver to Intuit, concurrently with the signing of this Agreement, a written agreement (the "GALT AFFILIATES

AGREEMENT"), in the form of Exhibit 5.1.12. In addition, GALT shall cause each person who may become a GALT Affiliate after the Agreement Date and before the Effective Time to execute and deliver to Intuit a GALT Affiliate Agreement.

5.2 Elimination of Certain GALT Warrants and Notes. Concurrently with its execution of this Agreement: (a) GALT has caused all warrants to purchase shares of GALT Capital Stock that were outstanding at such time to be exercised solely for shares of GALT Common Stock so that such warrants are no longer exercisable or outstanding; and (b) has caused all indebtedness for borrowed money (including all principal, accrued interest and other charges owed) that is owed by GALT to any shareholder, director, officer or employee of GALT or to any affiliate of the foregoing to be repaid in full.

5.3 Derivative Securities. GALT shall take all actions necessary to ensure that no GALT Derivative Securities (other than the shares of GALT Series A Preferred Stock that are outstanding on the Agreement Date and reflected in Section 3.3 or are permitted to be issued by GALT under the terms of Section 5.1.4 hereof) are issued or outstanding immediately prior to the Effective Time.

5.4 Securities Compliance. GALT shall use its reasonable good faith efforts to cooperate with Intuit to enable Intuit to offer and issue all Intuit securities to be issued pursuant to this Agreement to be issued in compliance with all applicable securities laws and the requirements of the Nasdaq Stock Market and/or any other securities exchange on which Intuit Common Stock is traded.

5.5 Certain Investments, Agreements. GALT does not own, and shall not make any purchase or other acquisition of, or investment in, any shares of Intuit Common Stock or other securities of Intuit. GALT shall not enter into any agreement with any holders of Intuit shares calling for either GALT or Intuit to retire or reacquire all or part of the Intuit shares to be issued pursuant to the Merger. GALT shall not enter into any financial arrangements for the benefit of any GALT shareholder which, in effect, would negate the exchange of equity securities contemplated under this Agreement, including without limitation, any loan or other financial arrangement at abnormally low interest rates, or any guarantee of loans secured by Intuit shares to be issued pursuant to the Merger.

5.6 Pooling. Following the Agreement Date, GALT shall not take (a) any of the actions described in Exhibit 5.6 or (b) any other action if, prior to taking such action, GALT has been informed by Intuit or its accountants that, in the opinion of Intuit's accountants, taking such action may preclude Intuit from accounting for the Merger as a "pooling of interests" for accounting purposes and Intuit or its accountants promptly give GALT a writing that states in reasonable detail the action that Intuit or its accountants request GALT not to take. GALT shall cooperate with Intuit to cause the business combination to be effected by the Merger to be accounted for as a pooling of interests for accounting purposes.

5.7 GALT Dissenting Shares. As promptly as practicable after the date of the GALT Shareholder Vote and prior to the Closing Date, GALT shall furnish Intuit with the name and address of each holder of any GALT Dissenting Shares (if any) and the number of GALT Dissenting Shares owned by each such holder.

5.8 Termination of Registration and Voting Rights. All registration rights agreements and voting agreements applicable to or affecting any outstanding shares or other securities of GALT shall be duly terminated and canceled by no later than the Effective Time.

5.9 Invention Assignment and Confidentiality Agreements. Each employee and consultant of GALT who has had access to any software or other technology owned or developed by GALT, or to any other confidential or proprietary information of GALT, shall have executed and delivered to GALT an invention assignment and confidentiality agreement in a form reasonably acceptable to Intuit.

5.10 Closing of Merger. GALT shall not refuse to effect the Merger if, on or before the Closing Date, all the conditions precedent to GALT's obligations to effect the Merger under Section 8 hereof have been satisfied or waived by GALT.

6. INTUIT COVENANTS

6.1 Preclosing Covenants. During the period from the Agreement Date until the earlier to occur of (i) the Effective Time or (ii) the termination of this Agreement in accordance with Section 10, Intuit covenants and agrees as follows:

6.1.1 Regulatory Approvals. Intuit shall execute and file, or join in the execution and filing, of any application or other document that may be necessary in order to obtain the authorization, approval or consent of any governmental body, federal, state, local or foreign, which may be legally

required, in connection with the consummation of the transactions contemplated by this Agreement. Intuit shall use its best efforts to obtain, and to cooperate with GALT to obtain, all such authorizations, approvals and consents.

6.1.2 Satisfaction of Conditions Precedent. Intuit shall use its best efforts to satisfy or cause to be satisfied all the conditions precedent which are set forth in Sections 8 and 9 (insofar as satisfaction of such conditions is within Intuit's reasonable control), and Intuit shall use its best efforts to cause the transactions contemplated by this Agreement to be consummated, and, without limiting the generality of the foregoing, to obtain all consents and authorizations of third parties and to make all filings with, and give all notices to, third parties that may be necessary or reasonably required on its part in order to enable it to effect the transactions contemplated hereby.

6.1.3 Preparation of Permit Application, Hearing Request and Hearing Notice. As promptly as practicable after the date hereof (but in no event later than December 31, 1995), Intuit, with GALT's assistance, shall prepare and file with the Department the Permit Application, a request for a Fairness Hearing and any other documents required by the California Law in connection with such Permit Application. Intuit, with GALT's assistance, shall participate in the Fairness Hearing and use its best efforts to have the Permit declared effective under the California Law as promptly as practicable after such filing. Intuit shall be solely responsible for any statement, information or omission in the Permit Application (and the exhibits thereto) that relates to Intuit or its affiliates. If Section 2.8(b) hereof becomes operative, then Intuit shall use its best efforts to comply with its obligations thereunder.

6.1.4 Litigation. Intuit shall notify GALT in writing promptly after learning of any material action, suit, arbitration, proceeding or investigation by or before any court, arbitrator or arbitration panel, board or governmental agency, initiated by or against Intuit or known by it to be threatened against it, which could reasonably be expected to materially and adversely affect Intuit or the prospects for consummation of the Merger if such action, suit, arbitration, proceeding or investigation were decided adversely to Intuit.

6.1.5 Advice of Changes. Intuit shall promptly advise GALT in writing (a) of any event occurring subsequent to the date of this Agreement that would render any representation or warranty of Intuit contained in Section 4 of this Agreement (as qualified by the Intuit Disclosure Letter), if made on or as of the date of such event or the Closing Date, untrue or inaccurate in any material respect and (b) of any material adverse change in Intuit's business, results of operations or financial condition; provided, however, that Intuit shall not be obligated to disclose such information to GALT at any time or in any manner that might subject Intuit to liability under applicable securities laws.

6.2 Working Capital Loan. Concurrently with the execution of this Agreement by the parties, GALT and Intuit shall each enter into, execute and deliver the Credit Agreement, Secured Revolving Promissory Note and Security Agreement in the forms attached hereto as Exhibit 6.2 (such agreements being collectively referred to as the "INTUIT LOAN AGREEMENT"). Subject to the terms and conditions of the Loan Agreement, Intuit will lend GALT the principal amount of not more than Three Million Eleven Thousand Ninety-Six Dollars ($3,011,096), with the proceeds of any such loan or loans to be used by GALT solely for working capital and any other purposes specified in the Intuit Loan Agreement. All loans or advances of funds made by Intuit under the Intuit Loan Agreement are hereinafter referred to as "INTUIT LOANS." The parties acknowledge and agree that the repayment of all Intuit Loans shall be secured by GALT's grant to Intuit, pursuant to the terms and conditions of the Intuit Loan Agreement, of a first and senior lien and security interest in and to all of the assets and properties of GALT, whether now owned or hereafter acquired. GALT further agrees that, if so requested by Intuit, it shall use its best efforts to cooperate with Intuit to obtain, as soon as practicable, replacement loan financing from a bank or other lending institution that will be used to pay off all then outstanding Intuit Loans.

6.3 Post-Merger Grant of Options. If the Merger is consummated as contemplated by this Agreement, then as soon as reasonably practicable following the closing and consummation of the Merger, and subject to the customary approval of the Compensation Committee of Intuit's Board of Directors or its delegate(s), Intuit shall grant to those persons who are GALT employees at the date of the Closing of the Merger and who continue as GALT employees thereafter, options to purchase shares of Intuit Common Stock in amounts determined by Intuit in its sole discretion but consistent with the option grant levels that are then customary for new Intuit employees of similar responsibility and status, determined without regard to the number of Intuit Options issued to such GALT employees in the Merger. The options to be granted pursuant to this Section shall be granted at an exercise price equal to the then-current fair market value of Intuit stock on the date of option grant as determined by Intuit consistent with Intuit's past practice, with the right to exercise such options to vest over a four-year period beginning on the first date of the optionee's

employment with the Surviving Corporation or Intuit after the Effective Time in accordance with the vesting formulas then generally afforded to options granted to new Intuit employees.

6.4 Closing of Merger. Intuit shall not refuse to effect the Merger if, on or before September 30, 1996, all the conditions precedent to Intuit's obligations to effect the Merger under Section 9 hereof have been satisfied or waived by Intuit.

7. CLOSING MATTERS

7.1 The Closing; Closing Date.

(a) Closing. The closing of the transactions for consummation of the Merger (the "CLOSING") shall take place at the offices of Fenwick & West, Two Palo Alto Square, Palo Alto, California 94306 on that date occurring on or before September 30, 1996 that Intuit, in its sole discretion, chooses to be the date of the Closing and gives GALT at least thirty (30) days' advance written notice of in accordance with this Agreement. If Intuit fails to give GALT such advance written notice of the scheduled Closing by August 15, 1996, then the

Closing shall be held on September 1, 1996 unless the parties otherwise agree. Nothing in this Section is intended to waive or eliminate the conditions precedent to the parties' obligations to effect the Merger in Sections 8 and 9 hereof.

(b) Actions at Closing; Closing Date. Concurrently with the Closing, the Agreement of Merger and the Articles of Merger shall be filed in the offices of the Delaware Secretary of State and the Pennsylvania Department of State, respectively. As used herein, the "CLOSING DATE" shall mean the date on which the Closing occurs.

7.2 Exchange of Certificates.

7.2.1 At the Closing, each holder of shares of GALT capital stock shall surrender to Intuit for cancellation the certificate(s) for such shares (each a "GALT CERTIFICATE"), duly endorsed to Intuit or accompanied by duly executed stock powers and assignments separate from certificate transferring title to such shares to Intuit. At the Closing, or as promptly as practicable after the Effective Time, and against receipt of such GALT Certificates, Intuit shall issue to each tendering holder of a GALT Certificate a certificate for the number of shares of Intuit Common Stock to which such holder is entitled pursuant to Section 2 hereof. All Intuit Common Stock delivered upon the surrender of GALT Stock in accordance with the terms hereof shall be deemed to have been delivered in full satisfaction of all rights pertaining to such GALT Stock.

7.2.2 No dividends or distributions payable to holders of record of Intuit Common Stock after the Effective Time, or cash payable in lieu of fractional shares, shall be paid to the holder of any unsurrendered GALT Certificate until the holder of the GALT Certificate(s) surrenders such GALT Certificate to Intuit as provided above. Subject to the effect, if any, of applicable escheat and other laws, following surrender of any GALT Certificate, there shall be delivered to the person entitled thereto, without interest, the amount of any dividends and distributions therefor paid with respect to Intuit Common Stock so withheld as of any date subsequent to the Effective Time and prior to such date of delivery.

7.2.3 After the Effective Time there shall be no further registration of transfers on the stock transfer books of GALT or its transfer agent of the GALT Stock. If, after the Effective Time, GALT Certificates are presented for any reason, they shall be canceled and exchanged as provided in this Section 7.2.

7.2.4 Until GALT Certificates representing GALT Stock outstanding prior to the Effective Time are surrendered pursuant to Section 7.2.1 above, such GALT Certificates shall be deemed, for all purposes, to evidence ownership of the number of shares of Intuit Stock into which the GALT Stock shall have been converted pursuant to Section 2.

7.3 Converted GALT Options. Upon the Effective Time, all original GALT stock option grant agreements representing GALT Options that were outstanding immediately prior to the Effective Time ("GALT OPTION GRANTS") shall represent the Intuit Options into which such GALT Options were converted in the Merger and may be presented to Intuit for exercise of such Intuit Options. Intuit, in its sole discretion, may elect to replace such GALT Option Grants with

new Intuit Option Grant documents that do not change the terms on which the GALT Options are to be converted into Intuit Options under Section 2.2 hereof.

8. CONDITIONS TO OBLIGATIONS OF GALT

GALT's obligations to effect the Merger hereunder are subject to the

fulfillment or satisfaction, on and as of the Closing, of each of the following conditions (any one or more of which may be waived by GALT, but only in a writing signed by GALT):

8.1 Accuracy of Representations and Warranties. The representations and warranties of Intuit set forth in Section 4 (as qualified by the Intuit Disclosure Letter) shall have been true and accurate in every material respect on and as of the Agreement Date, and GALT shall have received a certificate to such effect executed by Intuit's President, Executive Vice President or Chief Financial Officer.

8.2 Covenants. Intuit shall have performed and complied in all material respects with all its covenants in Section 6 on or before the Closing (or cured any such failure to perform and comply with such covenants), and GALT shall have received a certificate to such effect signed by Intuit's President, Executive Vice President or Chief Financial Officer.

8.3 Compliance with Law; No Legal Restraints. The parties shall be able to consummate the Merger without violation of any law, judgment, order or decree, and all authorizations or consents required to be obtained from any governmental authority to lawfully consummate the Merger shall have been obtained.

8.4 Requisite GALT Shareholder Approvals. The principal terms of this Agreement, the Agreement of Merger and the Merger shall have been approved and adopted by GALT's shareholders, as required by applicable law and GALT's Articles of Incorporation and Bylaws.

8.5 Opinion of Intuit's Counsel. GALT shall have received from Fenwick & West, counsel to Intuit, an opinion substantially in the form of Exhibit 8.5.

8.6 Transferability of Securities. The shares of Intuit Common Stock to be issued upon the conversion of GALT Stock in the Merger pursuant to the provisions of Section 2.1.3 hereof shall either (i) be transferable, in the opinion of Intuit's counsel that is reasonably acceptable to GALT, pursuant to the provisions of Rule 145(d) under the 1933 Act; or (ii) be registered under the 1933 Act.

9. CONDITIONS TO OBLIGATIONS OF INTUIT

The obligations of Intuit to effect the Merger hereunder are subject to the fulfillment or satisfaction on, and as of the Closing, of each of the following conditions (any one or more of which may be waived by Intuit, but only in a writing signed by Intuit):

9.1 Covenants. GALT shall have performed and complied in all material respects with all of its covenants contained in Section 5 hereof (except for (a) the covenants contained in Sections 5.1.1, 5.1.2, 5.1.3, 5.1.9, 5.1.11 and 5.7 and (b) the covenants contained in Section 5.12,

but only if GALT's violation of its covenants in Section 5.12 has not impaired the satisfaction of any conditions to the parties' obligations to effect the Merger under Section 8 or this Section 9, or caused Intuit to breach this Agreement) on or before the Closing (or cured any such failure to perform or comply with such covenants) and Intuit shall have received a certificate to such effect signed by GALT's President and Chief Financial officer.

9.2 Compliance with Law; No Legal Restraints. The parties shall be able to consummate the Merger without violation of any law, judgment, order or decree, and all authorizations or consents required to be obtained from any governmental authority to lawfully consummate the Merger shall have been obtained.

9.3 Securities Law Compliance; Transferability of Securities. Either the Commissioner shall have issued the Permit, or other action shall have been taken so that Intuit may lawfully offer and issue the shares of Intuit Common Stock and Intuit Options to be issued in the Merger.

9.4 Outstanding Securities; No Intuit Stockholder Vote. The shares of GALT Capital Stock outstanding immediately prior to the Effective Time shall consist only of (i) the shares of GALT Common Stock and GALT Series A Preferred Stock represented by GALT as being outstanding on the Agreement Date in Section 3.3 hereof, and (ii) any shares of GALT stock that GALT is permitted to issue under Section 5 hereof, provided that such stock consists only of GALT Common Stock or GALT Series A Preferred Stock. No GALT Derivative Securities (other than any shares of GALT Series A Preferred Stock referred to in the preceding sentence) shall be outstanding immediately prior to the Effective Time. The number of shares of Intuit Common Stock that Intuit must issue upon the conversion of outstanding shares of GALT Stock and converted GALT Options shall not exceed the number of shares of Intuit Common Stock that would require Intuit to seek the approval of the Merger by its stockholders under applicable law or the bylaws, rules or regulations of the Nasdaq Stock Market or any other stock exchange on which Intuit Common Stock is traded.

9.5 Resignation of Directors. The directors of GALT in office immediately prior to the Effective Time of the Merger shall have resigned as directors of the Surviving Corporation effective as of the Effective Time.

9.6 Opinion of GALT's Counsel. Intuit shall have received from Buchanan Ingersoll, counsel to GALT, an opinion substantially in the form of Exhibit 9.6.

9.7 Requisite GALT Shareholder Approvals. The principal terms of this Agreement, the Agreement of Merger and the Merger shall have been approved and adopted by GALT's shareholders, as required by applicable law and GALT's Articles of Incorporation and Bylaws, and by GALT's Board of Directors and holders of the issued and outstanding shares of GALT capital stock representing at least ninety-three percent (93%) of the voting power of all issued and outstanding shares of GALT capital stock shall have duly and validly affirmatively voted to approve this Agreement, the Agreement of Merger and the Merger in accordance with all applicable laws.

9.8 Limits on Dissenting Shares. The shares of GALT Stock with respect to which any GALT shareholders shall be eligible to exercise or perfect any statutory appraisal rights of dissenting shareholders shall not exceed that number (and class or series) of shares of GALT Stock that, but for the exercise of such statutory appraisal rights, would be entitled to receive seven percent (7%) or more of the total number of shares of Intuit Common Stock that would be issuable in the Merger upon the conversion of all shares of GALT Stock that are outstanding immediately prior to the Effective Time.

9.9 No Violation of Agreements. No GALT Affiliate who has executed a GALT Affiliate Agreement with Intuit pursuant to Section 5.13 shall have, breached, attempted to cancel or void such GALT Affiliate Agreement or asserted that it is unenforceable and no Principal Shareholder who has executed a Non-Competition Agreement with Intuit shall have attempted to cancel or void such Non-Competition Agreement or asserted that it is unenforceable.

10. TERMINATION OF AGREEMENT AND MERGER

10.1 Termination.

10.1.1 By Consent. This Agreement, the Agreement of Merger, the Merger and all transactions related thereto may be terminated at any time prior to the Effective Time by the mutual written consent of Intuit and GALT.

10.1.2 Termination on Termination Date. Unless the Merger has occurred, or unless otherwise agreed in writing by the parties hereto, this Agreement, the Agreement of Merger, the Merger and all transactions related thereto will automatically terminate without the need for action on the part of any party hereto at Midnight Pacific Time on September 30, 1996 (such time and date being hereinafter referred to as the "TERMINATION DATE") if by that time all of the conditions precedent to the parties' obligation to effect the Merger set forth in Sections 8 and 9 hereof have not been satisfied or waived in writing by the appropriate party.

10.1.3 Termination by Intuit for Certain GALT Breaches and Remedies Therefor. If: (i) GALT enters into an agreement or commitment with a third party providing for an Alternative Transaction; (ii) all of the conditions precedent to GALT's and Intuit's obligations to effect the Merger under Sections 8 and 9 hereof have been fulfilled (or waived in writing by the party whose obligation to close would otherwise be subject to such condition precedent) by the date on which the Closing is to be held pursuant to Section 7.1(a) hereof (the "SCHEDULED CLOSING DATE") and Intuit stands ready, willing and able to effect the Closing and the Merger, and GALT nevertheless refuses or fails to effect and consummate the Merger on the Scheduled Closing Date; (iii) Point Venture Partners, L.P., Point Venture Partners Pennsylvania, L.P., Donald H. Jones, Robert A. Frasca, D. Joel Maske, or David J. Stubenvoll fail to vote all their GALT shares in favor of this Agreement and the Merger at the GALT Shareholder Vote or otherwise or attempt to exercise statutory dissenting shareholders' appraisal rights; or (iv) the shareholders of GALT fail to approve this Agreement and the Merger by the percentage vote required in Section 9.7 hereof; then (a) Intuit may immediately terminate this Agreement, the Agreement of Merger, the Merger and all transactions related thereto by giving GALT written notice of such termination, (b) the entire principal amount of, and all accrued interest due under,

all Intuit Loans made under the Intuit Loan Agreement shall accelerate and become immediately due and payable to Intuit in full; (c) all Intuit's obligations to loan funds to GALT under the Intuit Loan Agreement shall automatically and immediately terminate without the need for any further action on the part of either party thereto; and (d) the Services Agreement being entered into by GALT and Intuit concurrently herewith shall automatically and immediately terminate without the need for any further action on the party of either party thereto. Intuit's remedies under this Section 10.1.3 are not exclusive and shall not preclude it from recovering actual damages for its lost profits, transaction expenses and other quantifiable damages, as well as to enforce any other rights or remedies to which it may be entitled under

applicable law.

10.1.4 Termination for Breach by Intuit and Remedies Therefor. If all of the conditions precedent to GALT's and Intuit's obligations to effect the Merger under Sections 8 and 9 hereof have been fulfilled (or waived in writing by the party whose obligation to close would otherwise be subject to such condition precedent) and GALT stands ready, willing and able to effect the Closing and the Merger, and notwithstanding the fulfillment and/or waiver of all such conditions precedent and GALT's willingness and ability to effect the Closing and the Merger, Intuit refuses or fails to effect and consummate the Merger by the Termination Date, then on the Termination Date this Agreement, the Agreement of Merger, the Merger and all transactions related thereto shall automatically terminate without the need for any further action by any party hereto. Such failure or refusal by Intuit to consummate the Merger shall constitute a material breach of this Agreement. In the event of such breach, Intuit shall be liable to and shall pay to GALT the sum of Four Million Dollars ($4,000,000) in cash, which sum the parties agree shall constitute liquidated damages intended to reasonably and justly compensate GALT for the harm that it will suffer in the form of loss of goodwill with its customers, injury to its reputation and lost business opportunity, which damages the parties agree would be difficult to measure or prove. Such liquidated damages do not include and GALT's recovery of such damages shall not preclude it from recovering actual damages for its lost profits, transaction expenses and other quantifiable damages, as well as to enforce any other rights or remedies to which it may be entitled under applicable law. Intuit shall pay to GALT the foregoing liquidated damages upon ten (10) days' prior written notice from GALT. Notwithstanding the foregoing, Intuit shall not be obligated to pay GALT the Four Million Dollar ($4,000,000) liquidated damages payment referenced above, if, on the Termination Date, any amount of principal or accrued interest under any Intuit Loans made by Intuit to GALT under the Intuit Loan Agreement remain outstanding and unpaid for any reason and, within thirty (30) days after the Termination Date and prior to any payment of liquidated damages, GALT has not (i) repaid to Intuit in full all amounts of principal and accrued interest outstanding and unpaid under all Intuit Loans made by Intuit under the Loan Agreement and (ii) executed and delivered to Intuit a written agreement irrevocably releasing Intuit of all Intuit's further obligations under the Intuit Loan Agreement.

10.2 No Liability; Survival of Certain Terms. Any termination of this Agreement in accordance with the provisions of this Section 10 (other than a termination of this Agreement pursuant to Section 10.1.3 or Section 10.1.4) will be without further obligation or liability upon any party in favor of the other party hereto other than the obligations of the parties set forth in the Confidentiality Agreement, which provides for certain mutual nondisclosure agreements between GALT and Intuit (but only for the length of time expressly contemplated by the Confidentiality Agreement).

11. SURVIVAL OF REPRESENTATIONS; REDUCTION OF MERGER CONSIDERATION

11.1 Survival of Representations. All representations and warranties of GALT in Section 3 hereof, and all representations and warranties of Intuit in Section 4 hereof, will survive execution of this Agreement and continue in effect until the Closing and the consummation of the Merger (except that the representations and warranties of Intuit in Section 4.7 hereof shall survive the Closing), although the timing of certain claims with respect to GALT's representations and warranties is limited by the final sentence of Section 11.2.1 hereof.

11.2 Adjustment of Merger Consideration for Breach of GALT Representations and Warranties.

11.2.1 Price Adjustment Claims. Subject to the terms and conditions of this Section 11, in the event that, at any time or from time to time prior to the Closing, Intuit asserts a claim that any representation or warranty made by GALT in Section 3 of this Agreement (as qualified by the GALT Disclosure Letter) was false, untrue, incorrect or inaccurate in any respect as of the Agreement Date (a "PRICE ADJUSTMENT CLAIM"), then Intuit may initiate an arbitration proceeding as provided herein for the purpose of seeking a reduction of the number of shares of Intuit Common Stock issuable by Intuit upon the conversion of GALT Stock in the Merger, and the number of Intuit Options to be issued upon the assumption of GALT Options as provided in Section 2.2 hereof. Intuit shall initiate a Price Adjustment Claim by giving GALT written notice of such Price Adjustment Claim as provided in Section 12.9 hereof (a "CLAIM NOTICE"). The Claim Notice shall identify the representations and warranties of GALT in Section 3 of this Agreement that Intuit asserts were false, untrue, incorrect or inaccurate in any respect as of the Agreement Date (the "CLAIM REPRESENTATIONS") and shall specify in reasonable detail the nature and basis of Intuit's Price Adjustment Claim. For purposes of this Agreement, a Price Adjustment Claim shall be deemed to have been made by Intuit on the date on which the Claim Notice for such Price Adjustment Claim is effectively given and served on GALT pursuant to Section 12.9 hereof. No Price Adjustment Claim may be made by Intuit later than ninety (90) days prior to the date that Intuit selects to be the Closing Date as set forth in the written notice of the Closing that Intuit is required to give under Section 7.1(a) hereof, or, if no such notice of Closing is given by Intuit by August 15, 1996, the default date of September 1,

1996.

11.2.2 Arbitration of Price Adjustment Claims.

(a) Arbitration. If Intuit makes a Price Adjustment Claim, then the parties agree that the Price Adjustment Claim shall be submitted to, and shall be resolved by, final, mandatory and binding arbitration (the "ARBITRATION"). Subject to the provisions of this Section 11.2, the Arbitration of each Price Adjustment Claim shall be governed exclusively by Pennsylvania law and the arbitration shall take place according to the Commercial Arbitration Rules of the American Arbitration Association (the "AAA RULES") and held in Pittsburgh, Pennsylvania, and shall be decided by a single arbitrator chosen according to such AAA Rules (the "ARBITRATOR"). If Intuit makes a Price Adjustment Claim, then it shall initiate the Arbitration by filing with the Pittsburgh, Pennsylvania office of the AAA an appropriate submission and request for arbitration pursuant to the AAA rules not later than three (3) days

after giving the Claim Notice to GALT. Except as permitted by law, neither party may appeal or contest the decision and award (if any) of the Arbitrator (the "ARBITRATION AWARD") and the parties agree that they shall be finally bound by the Arbitration Award. Intuit shall pay and advance the fees of the Arbitrator and all applicable administrative costs and fees of the AAA charged by the AAA for such Arbitration, subject to any right that Intuit may be granted to recover such payment of fees and costs under the Arbitration Award.

(b) Timing and Procedures. The Arbitration hearing will commence thirty (30) days after Intuit gives the Claim Notice. The parties agree that the Arbitration hearing shall be concluded no later than thirty (30) days after it has commenced and that the Arbitration Award shall be announced and delivered in writing to the parties within ten (10) days after the Arbitration hearing has concluded. The Arbitrator shall agree to be bound and abide by the time requirements of this Section and no arbitrator shall be chosen who cannot comply with these time requirements. Neither party shall have any right to request a delay or postponement of the Arbitration hearing without the other party's written consent. Unless otherwise agreed by the parties, pre-hearing discovery shall be limited to the following: (i) production of all documents that will be introduced at the Arbitration hearing; (ii) production of written or recorded statements; (iii) production of documents relied on by experts in the Arbitration hearing; and (iv) not more than two (2) depositions per side. All pre-hearing discovery shall be concluded within twenty (20) days of Intuit's filing of its submission with the AAA. The parties agree that the provisions of this Section shall be strictly construed and enforced by the Arbitrator.

(c) Decisions of Arbitrator; Arbitration Award. In the Arbitration, the Arbitrator shall decide and determine only the following issues: (i) whether or not any of the Claim Representations that Intuit, in its Claim Notice, claims to have been false, untrue, incorrect or inaccurate in any respect as of the Agreement Date was in fact false, untrue, incorrect or inaccurate in any respect as of the Agreement Date; (ii) the amount of Damages (as defined below), if any, that Intuit has actually incurred as a result of the falsity, untruth, incorrectness or inaccuracy of any Claim Representation (the "ACTUAL DAMAGES"); (iii) the amount of Damages that Intuit will incur as a result of the falsity, untruth, incorrectness or inaccuracy of any Claim Representation if the Merger is consummated (the "FUTURE DAMAGES"); and (iv) who should bear (or the proportion that each side will bear) the costs of the Arbitration and each side's reasonable legal and other professional fees and expenses incurred in connection with the Arbitration, given the equities of the Price Adjustment Claim. The Arbitration Award shall clearly set forth in writing the Arbitrator's decision and determination as to each of the above issues and shall be issued and delivered to the parties within the ten (10) day time period set forth in Section 11.2.2(b) above. The Arbitrator shall have no authority to amend or modify the terms of this Agreement or to award punitive or exemplary damages and the Arbitration Award may be enforced by a judgment entered with any court of competent jurisdiction.

(d) Damages Defined. As used herein, the term "DAMAGES" means all judgments, arbitration or similar awards (other than the Arbitration Award), amounts paid in settlement, damages, losses, liabilities, penalties, fines, taxes, costs and expenses (including, without limitation, reasonable attorneys' fees, other professionals' and experts' reasonable fees and court or arbitration costs) arising from any falsity, untruth, incorrectness or inaccuracy of any Claim Representation set forth in Intuit's Claim Notice.

(e) Intent of Expedited Procedure. The parties hereto acknowledge and agree that the procedures set forth herein for Arbitration of a Price Adjustment Claim are intended to expedite the rapid resolution of each Price Adjustment Claim. The parties desire to rigorously enforce the timing and other procedural provisions set forth in Section 11.2 to facilitate a rapid and final resolution of each Price Adjustment Claim and acknowledge that the parties shall be bound by each Arbitration Award of a Price Adjustment Claim, notwithstanding the fact that subsequently it may be determined that the amount of Damages or Future Damages determined by the Arbitration Award is incorrect in any amount, whether or not material. Further, the parties also agree to release

and hold harmless the Arbitrator from any liability whatsoever relating to any Arbitration Award or the conduct of any Arbitration by such Arbitrator, other than any claim a party may have for willful misconduct on the part of such Arbitrator.

11.2.3 Reduction in Merger Consideration. If any Arbitration Award rendered pursuant to the Arbitration of a Price Adjustment Claim finds that Intuit has actually incurred Actual Damages and/or will incur Future Damages, then the Merger Amount (as defined in Section 1.13 hereof) shall, subject to the following provisions of this Section 11.2.3, be adjusted by being reduced, dollar-for-dollar, by the sum of the Actual Damages and Future Damages, determined by such Arbitration Award and the resulting adjusted Merger Amount shall be used to calculate the Unadjusted Conversion Number and hence the Series A Preference Conversion Number, the Participation Conversion Number and the Preferred Participation Conversion Number for all purposes of determining the conversion of GALT Stock pursuant to Section 2.1.3 and the assumption and conversion of GALT Options pursuant to Section 2.2 hereof. The determination of Actual Damages and/or Future Damages in any Arbitration Award shall be conclusive and binding on the parties. Notwithstanding the foregoing, there shall be no adjustment to the Merger Amount by virtue of an Arbitration Award unless and until the aggregate cumulative sum of all Actual Damages plus all Future Damages determined by such Arbitration Award and any prior Arbitration Awards exceeds a cumulative total of One Hundred Thousand Dollars ($100,000), in which event the Merger Amount shall be adjusted by being reduced, dollar-for-dollar, by the full cumulative aggregate amount of all Actual Damages plus all Future Damages determined by all Arbitration Awards.

11.2.4 Exclusive Remedy for Breach of Representations. The reduction in the number of shares of Intuit Common Stock and Intuit Options issuable in the Merger effected pursuant to Section 11.2.3 as a result of Price Adjustment Claims made by Intuit under this Section 11.2 shall be Intuit's sole and exclusive remedy for any breach of GALT's representations and warranties under Section 3 of this Agreement.

11.3 Further Merger Amount Adjustment.

(a) In the event that at the Closing Date the product obtained by multiplying (i) the aggregate number of shares of Intuit Common Stock to be issued in the Merger pursuant to the provisions of Section 2.1.3 hereof, computed without regard to this Section 11.3 (such aggregate number of shares of Intuit Common Stock being hereinafter referred to as the "BASE NUMBER OF MERGER SHARES") by (ii) the average of the closing prices of Intuit Common Stock as quoted on the Nasdaq National Market System and reported in The Wall Street Journal for the

ten (10) trading days ending three (3) business days prior to the Closing Date (the "INTUIT AVERAGE CLOSING PRICE") would be less than Eight Million Dollars ($8,000,000) (the "BASE AMOUNT") then:

(i) the number of shares of Intuit Common Stock to be issued upon the conversion of all shares of GALT Stock that are outstanding immediately prior to the Effective Time pursuant to Section 2.1.3 shall be increased to that number of shares of Intuit Common Stock (the "ADJUSTED MERGER SHARES") that, when multiplied by the Intuit Average Closing Price equals the Base Amount; and

(ii) the Series A Preference Conversion Number, the Participation Conversion Number and the Preferred Participation Conversion Number shall each be increased to the respective numbers that would result in the issuance of a number of shares of Intuit Common Stock equal to the Adjusted Merger Shares (and not more) pursuant to the conversion of GALT Stock under Section 2.1.3, with such increase to be effected so as to maintain the same relative ratios of the Series A Preference Conversion Number, the Participation Conversion Number and the Preferred Participation Conversion Number as existed prior to the adjustment called for by this Section, and the resulting increased Participation Conversion Number shall be used to compute the conversion of GALT Options into Intuit Options pursuant to Section 2.2 hereof; and

(iii) notwithstanding anything herein to the contrary, in the event that the Merger Amount has at any time been reduced pursuant to the provisions of Section 11.2 hereof, then, notwithstanding the foregoing, the Base Amount for all purposes of this Section shall not be Eight Million Dollars ($8,000,000), but instead shall be reduced to that amount obtained by multiplying Eight Million Dollars ($8,000,000) by a fraction whose numerator is the Merger Amount in effect on the Closing Date and whose denominator is Nine Million Dollars ($9,000,000);

provided, however, that notwithstanding anything to the contrary in this Section 11.3, in no event shall the aggregate total number of shares of Intuit Common Stock issued upon the conversion of the outstanding shares of GALT Stock in the Merger pursuant to Section 2.1.3 hereof exceed that number of shares of Intuit Common Stock that is obtained by multiplying (a) 2.5 by (b) the Base Number of Merger Shares.

12. MISCELLANEOUS

12.1 Governing Law; Venue. The laws of the Commonwealth of Pennsylvania (irrespective of its choice of law principles) shall govern the validity of this Agreement, the construction of its terms, and the interpretation and enforcement of the rights and duties of the parties hereto. The parties agree that any controversy or claim arising out of or relating to this Agreement, with the exception of any Price Adjustment Claim described in Section 11.2, shall be litigated in the United States District Court for the Western District of Pennsylvania sitting in Pittsburgh, Pennsylvania.

12.2 Assignment; Binding Upon Successors and Assigns. Neither party hereto may assign any of its rights or obligations hereunder without the prior written consent of the other

party hereto. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. In the event that a third party should acquire ownership of Intuit, whether by merger or otherwise, such third party shall be obligated to cause Intuit to comply with its obligations and to perform its duties under this Agreement, subject to the terms and conditions hereof. In the event that Intuit enters into a definitive agreement pursuant to which Intuit is to be acquired by a third party ("BUYER"), then, if in Intuit's sole and absolute judgment and discretion, the acquisition of Intuit by Buyer will not in any manner be adversely affected, delayed or subject to potentially adverse tax or accounting treatment by acceleration of the Closing of the Merger, then Intuit will, subject to any agreement between Intuit and Buyer to the contrary, Intuit will use good faith reasonable efforts to accelerate the date of the Closing.

12.3 Severability. If any provision of this Agreement, or the application thereof, shall for any reason and to any extent be invalid or unenforceable, the remainder of this Agreement and application of such provision to other persons or circumstances shall be interpreted so as reasonably to effect the intent of the parties hereto. The parties further agree to replace such void or unenforceable provision of this Agreement with a valid and enforceable provision that shall achieve, to the extent possible, the economic, business and other purposes of the void or unenforceable provision.

12.4 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original as regards any party whose signature appears thereon and all of which together shall constitute one and the same instrument. This Agreement shall become binding when one or more counterparts hereof, individually or taken together, shall bear the signatures of both parties reflected hereon as signatories.

12.5 Other Remedies. Except as otherwise provided herein, any and all remedies herein expressly conferred upon a party shall be deemed cumulative with and not exclusive of any other remedy conferred hereby or by law on such party, and the exercise of any one remedy shall not preclude the exercise of any other.

12.6 Amendment and Waivers. Any term or provision of this Agreement may be amended, and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively) only by a writing signed by the party to be bound thereby. The waiver by a party of any breach hereof or default in the performance hereof shall not be deemed to constitute a waiver of any other default or any succeeding breach or default. The failure of any party to enforce any of the provisions hereof shall not be construed to be a waiver of the right of such party thereafter to enforce such provisions. The Agreement may be amended by the parties hereto at any time before or after approval of the shareholders of GALT, but, after such approval, no amendment shall be made which by applicable law requires the further approval of the shareholders of GALT without obtaining such further approval.

12.7 Construction of Agreement. This Agreement has been negotiated by the respective parties hereto and their attorneys and the language hereof shall not be construed for or against either party. A reference to a Section or an exhibit shall mean a Section in, or exhibit to,

this Agreement unless otherwise explicitly set forth. The titles and headings herein are for reference purposes only and shall not in any manner limit the construction of this Agreement which shall be considered as a whole.

12.8 Attorneys' Fees. Except as provided in Section 11.2, should suit be brought to enforce or interpret any part of this Agreement, the prevailing party shall be entitled to recover, as an element of the costs of suit and not as damages, its reasonable attorneys' fees, and other costs and expenses incurred in such suit to be fixed by the judge (including without limitation, costs, expenses and fees on any appeal) regardless of whether the trial is before a jury or a judge alone. The prevailing party shall be entitled to recover its attorneys' fees, other reasonable costs and expenses of such suit, regardless of whether such suit proceeds to final judgment. The presiding judge or the motions judge, if there is no presiding judge, shall finally decide the amount of attorneys' fees, costs and expenses that may be recovered by a

prevailing party under this Section and the identity of the prevailing party.

12.9 Notices. All notices and other communications required or permitted under this Agreement shall be in writing and shall be either hand delivered in person, sent by telecopier, sent by certified or registered first class mail, postage pre-paid, or sent by nationally recognized express courier service. Such notices and other communications shall be deemed to have been given and served effective upon receipt if hand delivered or sent by telecopier, three (3) days after mailing if sent by mail, and one (1) day after dispatch if sent by express courier, to the following addresses, or such other addresses as any party may notify the other parties in accordance with this Section:

(i) If to Intuit:

Intuit Inc.
155 Linfield Avenue
Menlo Park, CA 94025
Attention: General Counsel

with a copy to:

Fenwick & West
Two Palo Alto Square, Suite 800
Palo Alto, CA 94306
Attention: Kenneth A. Linhares, Esq.

(ii) If to GALT:

GALT Technologies, Inc.
5001 Baum Boulevard, Suite 750
Pittsburgh, PA 15213
Attention: President

with a copy to:

Buchanan Ingersoll
One Oxford Centre
301 Grant Street, 20th Floor
Pittsburgh, PA 15219-1410
Attention: Carl Cohen, Esq.

or to such other address as a party may have furnished to the other parties in writing pursuant to this Section 12.9.

12.10 No Joint Venture. Nothing contained in this Agreement shall be deemed or construed as creating a joint venture or partnership between any of the parties hereto. No party is by virtue of this Agreement authorized as an agent, employee or legal representative of any other party. No party shall have the power to control the activities and operations of any other and their status is, and at all times shall continue to be, that of independent contractors with respect to each other. No party shall have any power or authority to bind or commit any other. No party shall hold itself out as having any authority or relationship in contravention of this Section.

12.11 Further Assurances. Each party agrees to cooperate fully with the other parties and to execute such further instruments, documents and agreements and to give such further written assurances as may be reasonably requested by any other party to evidence and reflect the

[REST OF PAGE INTENTIONALLY LEFT BLANK]

transactions described herein and contemplated hereby and to carry into effect the intents and purposes of this Agreement.

12.12 Absence of Third Party Beneficiary Rights. No provisions of this Agreement are intended, nor shall be interpreted, to provide or create any third party beneficiary rights or any other rights of any kind in any client, customer, affiliate, shareholder, partner or any party hereto or any other person or entity unless specifically provided otherwise herein, and, except as so provided, all provisions hereof shall be personal solely between the parties to this Agreement; provided, however, that after the Effective Time, any holders of GALT options who are entitled to have the shares of Intuit Common Stock that are issuable upon exercise of their Intuit Options issued in the Merger registered on Form S-8 under the 1933 Act under Section 2.2(b) hereof shall be third party beneficiaries of Section 2.2(b) hereof solely for the purpose of obtaining such Form S-8 Registration of such shares.

12.13 Public Announcement. Until Intuit has made a public press release announcing its entry into this Agreement, GALT shall not disclose the fact of the entry into and execution of this Agreement by the parties without Intuit's

prior written consent. Intuit may, at such time or times as its may deem appropriate, issue such press releases, and make such other disclosures regarding the parties entry into and execution of this Agreement, the Merger and other subject matter of this Agreement, as Intuit determines are necessary or appropriate, or required under applicable laws, rules or regulations.

12.14 Entire Agreement. This Agreement and the exhibits and schedules hereto and the GALT Disclosure Letter and the Intuit Disclosure Letter constitute the entire understanding and agreement of the parties hereto with respect to the subject matter hereof and supersede all prior and contemporaneous agreements or understandings, inducements or conditions, express or implied, written or oral, between the parties with respect hereto other than the Confidentiality Agreement. The express terms hereof control and supersede any course of performance or usage of the trade inconsistent with any of the terms hereof.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

"INTUIT"	"GALT"
INTUIT INC.	GALT TECHNOLOGIES, INC.
By: /s/ WILLIAM H. HARRIS, JR.	By: /s/ ROBERT O. FRASCA
Its: Executive Vice President	Its: President

[SIGNATURE PAGE TO AGREEMENT AND PLAN OF REORGANIZATION]

LIST OF EXHIBITS

Exhibit A	Agreement of Merger
Exhibit B	Example of Merger Conversion Formulas
Exhibit 1.15	GALT Revenue Projection Schedule
Exhibit 2.6	Articles of Incorporation of Surviving Corporation
Exhibit 3.3.1	List of GALT Shareholders
Exhibit 3.3.2	List of GALT Option Holders
Exhibit 3.8	GALT Financial Statements
Exhibit 3.11	Contracts of GALT
Exhibit 3.11A	Contracts Requiring Third Party Consents
Exhibit 3.13	GALT IP Rights
Exhibit 3.16.1	List of GALT Employees, Officers and Consultants
Exhibit 3.16.3	GALT Employee Plans
Exhibit 3.16.6	GALT Benefit Arrangements
Exhibit 5.6	Pooling Compliance Actions
Exhibit 5.1.13	GALT Affiliate Agreement
Exhibit 8.5	Opinion of Intuit's Counsel
Exhibit 9.6	Opinion of GALT's Counsel

The exhibits listed above will be furnished to the Commission upon request.

STIPULATION AND AMENDMENT NO. 1 TO

AGREEMENT AND PLAN OF REORGANIZATION

This Stipulation and Amendment No. 1 to Agreement and Plan of Reorganization (this "STIPULATION AND AMENDMENT") is made and entered into effective as of November 3, 1995 by and between Intuit Inc., a Delaware corporation ("INTUIT") and GALT Technologies, Inc., a Pennsylvania corporation

("GALT").

RECITALS

A. Intuit and GALT have previously entered into a certain Agreement and Plan of Reorganization dated as of October 24, 1995 (the "REORGANIZATION AGREEMENT"), providing for the merger (the "MERGER") of a subsidiary of Intuit with and into GALT (or, at Intuit's election, the merger of GALT with and into a subsidiary of Intuit). Capitalized terms used but not defined herein shall have the same meanings given to them in the Reorganization Agreement.

B. On November 3, 1995 GALT entered into a Mutual Release (the "RELEASE AGREEMENT") with Adams Capital Management, Inc. ("ADAMS") and the P/A Fund, L.P. ("P/A FUND"), pursuant to which GALT has paid $70,000 to Adams and the P/A Fund in order to settle and obtain releases from Adams and the P/A Fund of certain claims. A total of $50,000 of such payment was not anticipated by or known to Intuit at the time the Reorganization Agreement was entered into. The parties desire to enter into this Stipulation and Amendment to stipulate and memorialize their agreement that such $50,000 payment constitutes Actual Damages incurred by Intuit within the meaning of Section 11.2.2(c) of the Reorganization Agreement, and to waive any requirement under the Agreement that such matter be resolved through arbitration.

NOW THEREFORE, Intuit and GALT hereby stipulate and agree as follows:

1. STIPULATION, AGREEMENT, WAIVER. Intuit and GALT each hereby acknowledge, agree and stipulate that:

(a) for purposes of Section 11.2 of the Reorganization Agreement, Intuit has actually incurred Actual Damages of $50,000 by virtue of GALT's payment of $50,000 of the total amount paid to Adams and P/A Fund under the Release Agreement;

(b) the arbitration provisions of Section 11 of the Agreement are hereby waived with respect to (and solely with respect to) the determination that Intuit has actually incurred Actual Damages of $50,000 as provided in paragraph (a) of this Section; and

(c) Intuit is not limited by this stipulation from making a Price Adjustment Claim for any other Actual Damages and/or Future Damages arising from or related to the Release Agreement, the subject matter of the claims released thereby, any breach or violation of the Release Agreement or any assertion or attempt by any party to the Release Agreement to assert its invalidity or unenforceability.

2. AMENDMENT. Section 11.2.1 of the Reorganization Agreement is hereby amended by inserting the following sentences after the last sentence of Section 11.2.1.:

> "Notwithstanding the foregoing, Intuit and GALT may agree by written stipulation and without the need to resort to the Arbitration of a Price Adjustment Claim, that Intuit has incurred Actual Damages and/or Future Damages (as defined below). Any such stipulated damages will be treated, for purposes of this Section 11.2, as if they were determined by an Arbitration Award rendered pursuant to the Arbitration of a Price Adjustment Claim."

3. EXECUTION IN COUNTERPARTS. This Stipulation and Amendment may be executed in counterparts, each of which shall be deemed an original and all of which shall constitute one instrument.

IN WITNESS WHEREOF, the undersigned execute this Stipulation and Amendment effective as of the date first written above.

INTUIT INC.	GALT TECHNOLOGIES, INC.
By: /s/ WILLIAM H. HARRIS, JR.	By: /s/ ROBERT O. FRASCA
Its: Executive Vice President	Its: President

AMENDMENT NO. 2
TO
AGREEMENT AND PLAN OF REORGANIZATION

This Amendment No. 2 to Agreement and Plan of Reorganization (this "AMENDMENT") is made and entered into effective as of January 7, 1996 by and between Intuit Inc., a Delaware corporation ("INTUIT") and GALT Technologies, Inc., a Pennsylvania corporation ("GALT").

RECITALS

A. Intuit and GALT have previously entered into a certain Agreement and

Plan of Reorganization dated as of October 24, 1995, as amended by a Stipulation and Amendment No. 1 to Agreement and Plan of Reorganization dated as of November 3, 1995 (the "REORGANIZATION AGREEMENT"), providing for the merger (the "MERGER") of a subsidiary of Intuit with and into GALT (or, at Intuit's election, the merger of GALT with and into a subsidiary of Intuit). The capitalized terms used but not defined herein shall have the same meanings given to them in the Reorganization Agreement.

B. Intuit and GALT now desire to further amend the Reorganization Agreement in certain respects.

NOW THEREFORE, Intuit and GALT hereby agree as follows:

1. AMENDMENT OF SECTION 5.1.4(H). Section 5.1.4(h) of the Reorganization Agreement is hereby amended to read in its entirety as follows:

> "(h) issue or sell any shares of its capital stock of any class, or any other of its securities, or issue or create any warrants, obligations, subscriptions, options, convertible securities, or other commitments to issue any shares of capital stock or other securities of GALT, except that: (i) GALT may issue up to 650,000 shares of GALT Common Stock upon the exercise of GALT Options that are either (A) included among the options to purchase up to 139,135 shares of GALT Common Stock that are disclosed in Section 3.3 as being outstanding on the Agreement Date or (B) permitted to be granted by GALT under the provisions of the following clause (ii); and (ii) GALT may grant to GALT employees GALT Options to purchase not more than an aggregate total of 510,865 shares of GALT Common Stock, as now constituted, pursuant to the GALT Stock Option Plan ("POST-SIGNING GALT OPTION GRANTS"), provided such Post-Signing GALT Option grants (1) are made in the ordinary course of GALT's business at levels and for purposes consistent with GALT's past practices and with the consent of Intuit, which consent shall not be unreasonably withheld, provided that GALT's and Intuit's respective accountants do not believe that such Post-Signing GALT Option grants are inconsistent with the ability to have the Merger accounted for as a "pooling of interests" transaction, and (2) have an exercise price equal to the fair market value of GALT Common Stock on the date of grant, determined after taking into consideration the existence of this Agreement;"

2. AMENDMENT OF SECTION 6.3. Section 6.3 of the Reorganization Agreement is hereby amended to read in its entirety as follows:

> "6.3 Post-Merger Grant of Options. If the Merger is consummated as contemplated by this Agreement, then as soon as reasonably practicable following the closing and consummation of the Merger, and subject to the customary approval of the Compensation Committee of Intuit's Board of Directors or its delegate(s), Intuit shall grant to those persons who are GALT employees at the date of the Closing of the Merger and who continue as GALT employees thereafter ("ELIGIBLE GALT Employees"), options to purchase shares of Intuit Common Stock in amounts determined by Intuit in its sole discretion but at least in amounts equal to 75% of the range of Intuit stock option grant levels that Intuit applied to make Intuit stock option grants to new Intuit employees of similar responsibility and status in the fall of 1995, determined without regard to the number of Intuit Options issued to such Eligible GALT Employees in the Merger; provided, however, that notwithstanding the foregoing, the number of shares of Intuit Common Stock to be subject to any stock option granted to an Eligible GALT Employee pursuant to Section 6.3 shall be directly reduced, on a share for share basis, by the sum of (i) the number of shares of Intuit Common Stock that, immediately after the Closing of the Merger, are subject to any Intuit Option that is issued to such Eligible GALT Employee in the Merger upon the conversion and assumption (pursuant to Section 2.2) of any GALT Option granted to such Eligible GALT Employee on or after October 24, 1995 ("POST-SIGNING GALT OPTIONS") plus (ii) the number of shares of Intuit Common Stock that are issued to such Eligible GALT Employee in the Merger upon the conversion (pursuant to Section 2.1) of any shares of GALT Common Stock that such Eligible GALT Employee acquired by exercising a Post-Signing GALT Option. The options to be granted by Intuit pursuant to this Section shall be granted at an exercise price equal to the then-current fair market value of Intuit common stock on the date of option grant as determined by Intuit consistent with Intuit's past practice, with the right to exercise such options to vest over a four-year period beginning on the first date of the optionee's employment with the Surviving Corporation or Intuit after the Effective Time in accordance with the vesting formulas then generally afforded to options granted to new Intuit employees."

3. EFFECT OF AMENDMENT. The Reorganization Agreement, as amended hereby, shall remain in full force and effect. In the event of any inconsistency

or conflict between this Amendment and the Reorganization Agreement, this Amendment shall supersede and govern.

4. EXECUTION IN COUNTERPARTS. This Amendment may be executed in counterparts, each of which shall be deemed an original and all of which shall constitute one instrument.

IN WITNESS WHEREOF, the undersigned have executed this Amendment effective as of the date first written above.

INTUIT INC.	GALT TECHNOLOGIES, INC.
By: /s/ WILLIAM H. HARRIS, JR.	By: /s/ ROBERT O. FRASCA
Its: Executive Vice President	Its: President

AGREEMENT OF MERGER

THIS AGREEMENT OF MERGER (this "AGREEMENT") is made and entered into as of September 3, 1996 (the "AGREEMENT DATE") by and between Intuit Merger Sub, Inc., a Delaware corporation ("SUB") that is a wholly-owned subsidiary of Intuit Inc., a Delaware corporation ("INTUIT"), and GALT Technologies, Inc., a Pennsylvania corporation ("GALT").

RECITALS

A. Intuit and GALT have entered into an Agreement and Plan of Reorganization, dated as of October 24, 1995 (the "PLAN"), providing for certain representations, warranties and agreements in connection with the transactions contemplated hereby, in accordance with the Pennsylvania Business Corporation Law (the "PENNSYLVANIA LAW") and the Delaware General Corporation Law (the "DELAWARE LAW").

B. The Boards of Directors of Intuit, Sub and GALT have determined it to be advisable and in the respective interests of Intuit, Sub and GALT and their stockholders that Sub be merged with and into GALT through a statutory merger of Sub into GALT, in which GALT will be the surviving corporation of such merger.

C. The Plan, this Agreement and the Merger (as defined below) have been approved by Intuit, in its own right and in its capacity as the sole stockholder of Sub and by the stockholders of GALT in accordance with Pennsylvania and Delaware law.

NOW, THEREFORE, Sub and GALT hereby agree as follows:

1. CERTAIN DEFINITIONS. As used in this Agreement, the following terms shall have the meanings set forth below:

1.1 The "MERGER" means the merger of Sub with and into GALT contemplated by this Agreement.

1.2 "EFFECTIVE TIME" means the time and date on which this Agreement (or, under Delaware law, a Certificate of Merger conforming to the requirements of Section 252 of the Delaware Law) and any required officers' certificates are filed with the offices of the Delaware Secretary of State and the Pennsylvania Department of State and the Merger becomes effective under Delaware and Pennsylvania law.

1.3 "INTUIT COMMON STOCK" means the Common Stock, $0.01 par value, of Intuit.

1.4 "INTUIT PRICE PER SHARE" means $47.275, which is the average of the closing prices of Intuit Common Stock as quoted on the Nasdaq National Market System and reported in The Wall Street Journal for the ten (10) trading days ending on (and inclusive of) October 18, 1995.

1.5 "GALT COMMON STOCK" means the Common Stock, $0.01 par value, of GALT.

1.6 "GALT SERIES A PREFERRED STOCK" means the Series A Participating Preferred Stock, $0.01 par value, of GALT.

1.7 "GALT STOCK" means GALT Common Stock and GALT Series A Preferred Stock, collectively.

1.8 "GALT OPTIONS" means options to purchase GALT Common Stock from GALT granted by GALT to GALT employees under GALT's 1995 Stock Option Plan (the "GALT OPTION PLAN").

1.9 "GALT DERIVATIVE SECURITIES" means, collectively, (a) any warrant,

option, right or other security that entitles the holder thereof to purchase or otherwise acquire any shares of the capital stock of GALT ("GALT WARRANTS"); (b) any note, evidence of indebtedness, stock or other security that is convertible into or exchangeable for any shares of the capital stock of GALT or any GALT Warrant ("GALT CONVERTIBLE SECURITY"); and (c) any, warrant, option, right or other security that entitles the holder thereof to purchase or otherwise acquire any GALT Convertible Security or any GALT Warrant; provided, however, that the term "GALT Derivative Securities" does not include any GALT Options.

1.10 "FULLY DILUTED GALT SHARES" means that number of shares of GALT Common Stock that is equal to the sum of: (a) the total number of shares of GALT Common Stock that are issued and outstanding immediately prior to the Effective Time; plus (b) the total number of shares of GALT Common Stock, if any, that are directly or indirectly ultimately issuable by GALT upon the exercise, conversion or exchange of all GALT Derivative Securities (including but not limited to shares of GALT Series A Preferred Stock) that are issued and outstanding immediately prior to the Effective Time (but excluding the shares of GALT Common Stock, if any, that are ultimately issuable upon the exercise of all GALT Options that are issued and outstanding immediately prior to the Effective Time).

1.11 "GALT DISSENTING SHARES" means any shares of GALT Stock that are held by a GALT shareholder as to which dissenter's rights to require the payment of the fair value of such shares as provided in Chapter 15 of the Pennsylvania Business Corporation Law have been duly and properly exercised and perfected.

1.12 "GALT SERIES A PREFERENCE AMOUNT" means the sum of $334,459.77.

1.13 "UNADJUSTED CONVERSION NUMBER" means the number equal to the fraction (a) whose numerator is the quotient obtained by dividing the Merger Amount (as defined below) by the number of shares of GALT Common Stock equal to the Fully Diluted GALT Shares, and (b) whose denominator is the Intuit Price Per Share. As used herein, the "MERGER AMOUNT" shall initially mean the sum of Nine Million Dollars ($9,000,000), provided that the Merger Amount shall be subject to adjustment from time to time as provided in Sections 11.2 and 11.3 of the Plan, and upon each such adjustment, the adjusted Merger Amount shall become the Merger Amount.

1.14 "GALT NON-INTUIT-RELATED REVENUE" means the aggregate amount of revenue recognized by GALT on the accrual method of accounting during the time period commencing on January 1, 1996 and ending on August 31, 1996 (such time period being hereinafter referred to as the "MEASURE PERIOD"), as determined in accordance with generally accepted accounting principles consistently applied, minus all Intuit-Related Revenue, as defined below. As used herein, the term "INTUIT-RELATED REVENUE" means all revenue recognized by GALT on the accrual method of accounting during the Measure Period that is derived in any manner from the Services Agreement dated of even date herewith to be entered into by and between Intuit and GALT concurrently with their execution of this Agreement, as determined in accordance with generally accepted accounting principles consistently applied.

1.15 "ADJUSTMENT FACTOR" means the quotient obtained by dividing the GALT Non-Intuit-Related Revenue by the cumulative sum of the GALT Non-Intuit-Related Revenue projected to be recognized by GALT during the Measure Period as indicated in the GALT Revenue Projection Schedule attached to the Plan as Exhibit 1.15; provided however, that the Adjustment Factor may not be less than one (1.00) or greater than one and eleven-hundredths (1.11) and accordingly, notwithstanding the foregoing, if the Adjustment Factor as calculated above would be a number less than one (1.00), then the Adjustment Factor shall be one (1.00) and if the Adjustment Factor as calculated above would be a number greater than one and eleven-hundredths (1.11), then the Adjustment Factor shall be one and eleven-hundredths (1.11). The parties acknowledge and agree that the Adjustment Factor has been determined to be one (1.00).

1.16 "ADJUSTED CONVERSION NUMBER" means the product obtained by multiplying the Unadjusted Conversion Number by the Adjustment Factor.

1.17 "INTUIT MERGER SHARES" means the number of shares of Intuit Common Stock, as presently constituted, equal to the product obtained by multiplying the Adjusted Conversion Number by the number of shares of GALT Common Stock equal to the Fully Diluted GALT Shares.

1.18 "INTUIT PREFERENCE SHARES" means that number of the Intuit Merger Shares that is equal to the number obtained by dividing the GALT Series A Preference Amount by the Intuit Price Per Share.

1.19 "INTUIT PARTICIPATION SHARES" means that number of the Intuit Merger Shares remaining after the Intuit Preference Shares have been subtracted from the Intuit Merger Shares.

1.20 "SERIES A PREFERENCE CONVERSION NUMBER" means that number obtained by dividing the Intuit Preference Shares by the total number of shares of GALT Series A Preferred Stock that are issued and outstanding immediately prior to

the Effective Time.

1.21 "PARTICIPATION CONVERSION NUMBER" means that number obtained by dividing the number of Intuit Participation Shares by the number of Fully Diluted GALT Shares.

1.22 "PREFERRED PARTICIPATION CONVERSION NUMBER" means that number obtained by multiplying the Participation Conversion Number by the number of shares of GALT Common

Stock into which each share of GALT Series A Preferred Stock is convertible under GALT's Articles of Incorporation immediately prior to the Effective Time.

Other capitalized terms defined elsewhere in this Agreement and not defined in this Section 1 shall have the meanings assigned to such terms in this Agreement.

2. THE MERGER

2.1 The Merger. Subject to the terms and conditions of this Agreement, Sub shall be merged with and into GALT pursuant to this Agreement in accordance with applicable provisions of the laws of the State of Delaware and the Commonwealth of Pennsylvania, as follows:

2.1.1 Conversion of Shares. At the Effective Time, by virtue of the Merger and without the need for any action on the part of any holder of any shares of stock described below, and subject to the provisions of Section 2.9 hereof:

(a) Cancellation of GALT Treasury Stock. Each share of GALT Stock (if any) held by GALT as treasury stock immediately prior to the Effective Time shall be canceled and no payment or other consideration whatsoever shall be made or paid with respect thereto.

(b) Conversion of Sub Stock. Each share of the Common Stock of Sub that is issued and outstanding immediately prior to the Effective Time shall be converted into and become one (1) share of GALT Common Stock which shall be issued and outstanding immediately after the Effective Time, and the shares of GALT Common Stock into which the shares of Sub are so converted shall be the only shares of GALT Stock that are issued and outstanding immediately after the Effective Time.

2.1.2. Conversion of GALT Stock. Each share of GALT Common Stock and each share of GALT Series A Preferred Stock that is issued and outstanding immediately prior to the Effective Time (other than any GALT Dissenting Shares as provided in Section 2.4) shall be converted into shares of Intuit Common Stock as follows, subject to the provisions of Section 2.5 regarding the elimination of fractional shares:

(a) GALT Series A Preferred Stock. Each share of GALT Series A Preferred Stock that is issued and outstanding immediately prior to the Effective Time shall be converted into a number of shares of Intuit Common Stock equal to the sum of the Series A Preference Conversion Number plus the Preferred Participation Conversion Number; and

(b) GALT Common Stock. Each share of GALT Common Stock that is issued and outstanding immediately prior to the Effective Time shall be converted into a number of shares of Intuit Common Stock equal to the Participation Conversion Number.

2.2 Assumption and Conversion of GALT Options. Subject to the provisions of Section 2.9 hereof, each GALT Option that is outstanding immediately prior to the Effective Time shall, by virtue of the Merger and at the Effective Time and without the need for any

further action on the part of any holder thereof, be assumed by Intuit and converted into an option (an "INTUIT OPTION") to purchase that number of shares of Intuit Common Stock determined by multiplying the number of shares of GALT Common Stock subject to such GALT Option immediately prior to the Effective Time by the Participation Conversion Number, at an exercise price per share of Intuit Common Stock equal to the exercise price per share of GALT Common Stock that was in effect for such GALT Option immediately prior to the Effective Time divided by the Participation Conversion Number; provided, however, that if the foregoing calculation would result in an assumed and converted GALT Option being converted into an Intuit Option that, after aggregating all the shares of Intuit Common Stock issuable upon the exercise of such Intuit Option, would be exercisable for a fraction of a share of Intuit Common Stock, then the number of shares of Intuit Common Stock subject to such Intuit Option shall be rounded down to the nearest whole number of shares of Intuit Common Stock. The terms, exercisability, vesting schedule, status as an "incentive stock option" under Section 422 of the Code, if applicable, and all other terms and conditions of GALT Options (including but not limited to the terms and conditions applicable to such options by virtue of the GALT Option Plan) shall, to the extent

permitted by law and otherwise reasonably practicable, be unchanged. Continuous employment with GALT shall be credited to the optionee for purposes of determining the vesting of the number of shares of Intuit Common Stock subject to exercise under the converted GALT Option after the Effective Time.

2.3 Adjustments for Capital Changes. If after the date of this Agreement and prior to the Effective Time, Intuit or GALT recapitalizes, either through a split-up or subdivision of its outstanding shares into a greater number of shares, or through a reverse split or combination of its outstanding shares into a lesser number of shares, or reorganizes, reclassifies or otherwise changes its outstanding shares into the same or a different number of shares of other classes (other than through a split-up, subdivision, reverse split or combination of shares provided for in the previous clause), or declares a dividend on its outstanding shares payable in shares or securities convertible into shares (a "CAPITAL CHANGE"), then the number of shares of Intuit Common Stock into which the shares of GALT Stock are to be converted in the Merger, and the number of shares of Intuit Common Stock to be issued upon exercise of the Intuit Options issued upon the conversion of GALT Options in the Merger, shall be adjusted appropriately (as agreed to by Intuit and GALT if it involves something other than a mathematical adjustment) so as to maintain the proportional interests of the holders of GALT Stock (and, indirectly, the GALT Options) in the outstanding Intuit Common Stock; provided, however, that the provisions of this Section shall not apply to any merger or other acquisition of GALT or any other transaction not permitted to be undertaken by GALT under the provisions of this Agreement. In the event that a Capital Change affecting Intuit Common Stock occurs after the date of this Agreement and prior to the Effective Time, then the Intuit Price Per Share shall be deemed to have been equitably adjusted to reflect such Capital Change as necessary to effect the purposes and intent of this Section.

2.4 GALT Dissenting Shares. Holders of GALT Dissenting Shares (if any) shall be entitled to their rights under Subchapter D (Sections 1571 et seq.) and Section 1930 of the Pennsylvania Business Corporation Law with respect to such shares and such GALT Dissenting Shares shall not be converted into shares of Intuit Common Stock in the Merger. GALT Stock as to which dissenting shareholders' rights of appraisal under the Pennsylvania Business

Corporation Law have not been properly perfected shall, when such dissenting shareholders' rights can no longer be exercised, be converted into Intuit Common Stock as provided in Section 2.1.2.

2.5 Fractional Shares. No fractional shares of Intuit Common Stock shall be issued in connection with the Merger. In lieu thereof, each holder of GALT Stock who would otherwise be entitled to receive a fraction of a share of Intuit Common Stock, after aggregating all shares of Intuit Common Stock to be received by such holder, shall instead receive from Intuit, within twenty (20) business days after the Effective Time, an amount of cash equal to the Intuit Price Per Share (as adjusted to reflect any Capital Change of Intuit) multiplied by the fraction of a share of Intuit Common Stock to which such holder would otherwise be entitled.

2.6 Effects of the Merger. At and upon the Effective Time: (a) the separate existence of Sub shall cease and Sub shall be merged with and into GALT, and GALT shall be the surviving corporation of the Merger (the "SURVIVING CORPORATION") pursuant to the terms of this Agreement; (b) the Articles of Incorporation of GALT shall be amended to read as set forth in Attachment A hereto and shall be the Articles of Incorporation of the Surviving Corporation; (c) the Bylaws of GALT shall continue unchanged and shall be the Bylaws of the Surviving Corporation; (d) each share of GALT Stock outstanding immediately prior to the Effective Time and each GALT Option outstanding immediately prior to the Effective Time shall be converted as provided in this Section 2; (e) the persons who are the officers and directors of Sub immediately prior to the Effective Time shall be the officers and directors of the Surviving Corporation immediately after the Effective Time; and (f) the Merger shall, from and after the Effective Time, have all of the effects provided by applicable law.

2.7 Tax Free Reorganization. It is intended that the Plan and the Merger be a tax-free plan of reorganization in accordance with the provisions of Section 368(a)(1)(A) of the Code by virtue of the provisions of Section 368(a)(2)(E) of the Code.

2.8 Pooling of Interests. The parties intend that the Merger be treated as a "pooling of interests" for accounting purposes.

2.9 Section 11 Adjustments. Notwithstanding the foregoing provisions of this Section 2, the number of shares of Intuit Common Stock issuable to holders of GALT Stock in the Merger, and number of Intuit Options issuable to holders of GALT Options in the Merger, is subject to adjustment and increase as provided in Section 11 of the Plan.

3. CLOSING MATTERS

3.1 Exchange of Certificates.

3.1.1 At or before the Effective Time, each holder of shares of GALT capital stock shall surrender to Intuit for cancellation the certificate(s) for such shares (each a "GALT CERTIFICATE"), duly endorsed to Intuit or accompanied by duly executed stock powers and assignments separate from certificate transferring title to such shares to Intuit. Promptly after the Effective Time, and against receipt of such GALT Certificates, Intuit shall issue to each tendering holder of a GALT Certificate a certificate for the number of shares of Intuit Common

Stock to which such holder is entitled pursuant to Section 2 hereof. All Intuit Common Stock delivered upon the surrender of GALT Stock in accordance with the terms hereof shall be deemed to have been delivered in full satisfaction of all rights pertaining to such GALT Stock.

3.1.2 No dividends or distributions payable to holders of record of Intuit Common Stock after the Effective Time, or cash payable in lieu of fractional shares, shall be paid to the holder of any unsurrendered GALT Certificate until the holder of the GALT Certificate(s) surrenders such GALT Certificate to Intuit as provided above. Subject to the effect, if any, of applicable escheat and other laws, following surrender of any GALT Certificate, there shall be delivered to the person entitled thereto, without interest, the amount of any dividends and distributions therefor paid with respect to Intuit Common Stock so withheld as of any date subsequent to the Effective Time and prior to such date of delivery.

3.1.3 After the Effective Time there shall be no further registration of transfers on the stock transfer books of GALT or its transfer agent of the GALT Stock that was outstanding prior to the Effective Time. If, after the Effective Time, GALT Certificates are presented for any reason, they shall be canceled and exchanged as provided in this Section 3.1.

3.1.4 Until GALT Certificates representing GALT Stock outstanding prior to the Effective Time are surrendered pursuant to Section 3.1.1 above, such GALT Certificates shall be deemed, for all purposes, to evidence ownership of the number of shares of Intuit Stock into which the GALT Stock shall have been converted pursuant to Section 2.

3.2 Converted GALT Options. Upon the Effective Time, all original GALT stock option grant agreements representing GALT Options that were outstanding immediately prior to the Effective Time ("GALT OPTION GRANTS") shall represent the Intuit Options into which such GALT Options were converted in the Merger and may be presented to Intuit for exercise of such Intuit Options. Intuit, in its sole discretion, may elect to replace such GALT Option Grants with new Intuit Option Grant documents that do not change the terms on which the GALT Options are to be converted into Intuit Options under Section 2.2 hereof.

4. TERMINATION AND AMENDMENT

4.1 Agreement Subject to Termination by Written Mutual Consent. This Agreement, the Merger and all transactions related thereto may be terminated at any time prior to the Effective Time by the mutual written consent of Intuit and GALT.

4.2 Agreement Subject to Termination Upon Termination of Plan. This Agreement will terminate immediately in the event that the Plan is terminated in accordance with its terms.

4.3 Effect of Termination. In the event of the termination of this Agreement in accordance with Section 4.1 or Section 4.2 above, this Agreement will immediately become void and there will be no liability on the part of either Sub or GALT or their respective officers and directors on account of such termination, except as otherwise provided in the Plan.

4.4 Amendment. This Agreement may be amended by the parties hereto at any time before or after approval by the shareholders of GALT, but, after such approval, no amendment

will be made which by applicable law requires the further approval of GALT's shareholders without obtaining such further approval. This Agreement may not be amended except by an instrument in writing signed on behalf of Sub and GALT.

5. MISCELLANEOUS

5.1 Plan. The Plan and this Agreement are intended to be construed together in order to effectuate their purposes.

5.2 Governing Law; Venue. The laws of the Commonwealth of Pennsylvania (irrespective of choice of law principles) shall govern the validity of this Agreement, the construction of its terms, and the interpretation and enforcement of the rights and duties of the parties hereto.

5.3 Assignment; Binding Upon Successors and Assigns. Neither party

hereto may assign any of its rights or obligations hereunder without the prior written consent of the other party hereto. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

5.4 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original as regards any party whose signature appears thereon and all of which together shall constitute one and the same instrument.

5.5 Agent for Service of Process. GALT hereby agrees that it may be served with process in the State of Delaware in any proceeding for enforcement of any obligation of Sub, as well as for enforcement of any obligations of GALT arising from the Merger, including any suit or other proceeding to enforce the right of any stockholders as determined in appraisal proceedings pursuant to the provisions of Section 262 of the DGCL, and GALT hereby irrevocably appoints the Secretary of State of the State of Delaware as its agent to accept service of process in any such suit or other proceedings, and a copy of such process shall be mailed by the Secretary of State to GALT at 5001 Baum Boulevard, Suite 750, Pittsburgh, PA 15213.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

"SUB"	"GALT"
INTUIT MERGER SUB, INC.	GALT TECHNOLOGIES, INC.
By: /s/ JAMES J. HEEGER James J. Heeger, President	By: /s/ ROBERT O. FRASCA Robert O. Frasca, President
By: /s/ JAMES J. HEEGER James J. Heeger, Secretary	By: /s/ D. JOEL MASKE D. Joel Maske, Secretary

EXHIBIT 2.03

AGREEMENT AND PLAN OF MERGER

AMONG

CHECKFREE CORPORATION

CHECKFREE ACQUISITION CORPORATION II

INTUIT INC.

AND

INTUIT SERVICES CORPORATION

Dated as of September 15, 1996

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The exhibits and schedules listed above will be furnished to the Commission upon request.

AGREEMENT AND PLAN OF MERGER

AGREEMENT AND PLAN OF MERGER, dated as of September 15, 1996 (the "Effective Date"), among CHECKFREE CORPORATION, a Delaware corporation ("Parent"), CHECKFREE ACQUISITION CORPORATION II, a Delaware corporation and a wholly owned subsidiary of Parent ("Acquisition"), INTUIT INC., a Delaware corporation ("Holdings"), and INTUIT SERVICES CORPORATION, a Delaware corporation (the "Company"). The Company and Acquisition are hereinafter sometimes referred to as the "Constituent Corporations" and the Company as the "Surviving Corporation."

WHEREAS, Parent, Acquisition, Holdings, and the Company desire that Acquisition merge with and into the Company (the "Merger"), upon the terms and conditions set forth herein and in accordance with the General Corporation Law of the State of Delaware (the "Delaware GCL") with the result that the Company shall continue as the surviving corporation and the separate existence of Acquisition shall cease; and

WHEREAS, Parent, Acquisition, Holdings, and the Company desire that at the Effective Time (as hereinafter defined) all outstanding shares of the

capital stock of the Company be converted into the right to receive fully paid and nonassessable shares of Common Stock, $.01 par value, of Parent ("Parent Common Stock"), as hereinafter provided; and

WHEREAS, Parent, Acquisition, Holdings, and the Company desire that, immediately after the Effective Time and solely as a result of the Merger, Parent will own all the issued and outstanding shares of the capital stock of the Surviving Corporation; and

WHEREAS, for Federal income tax purposes, it is intended that the Merger qualify as a reorganization within the meaning of Section 368 of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"); and

WHEREAS, the respective Boards of Directors of Parent, Acquisition, Holdings, and the Company, have approved the Merger;

NOW, THEREFORE, in consideration of the mutual representations, warranties, covenants, agreements and conditions contained herein, and in order to set forth the terms and conditions of the Merger and the mode of carrying the same into effect, the parties hereto hereby agree as follows:

ARTICLE I

THE MERGER

SECTION 1.01 The Merger. Subject to the terms and conditions of this Agreement, at the Effective Time, in accordance with this Agreement and the Delaware GCL, Acquisition shall be merged with and into the Company, the separate existence of Acquisition shall cease, and the

Company shall continue as the Surviving Corporation under the corporate name of "CHECKFREE SERVICES CORPORATION."

SECTION 1.02 Effect of the Merger. Upon the effectiveness of the Merger, the Surviving Corporation shall succeed to, and assume all the rights and obligations of, the Company and Acquisition in accordance with the Delaware GCL and the Merger shall otherwise have the effects set forth in Section 259 of the Delaware GCL.

SECTION 1.03 Consummation of the Merger. As soon as practicable after the satisfaction or waiver of the conditions to the obligations of the parties to effect the Merger set forth herein, provided that this Agreement has not previously been terminated in accordance with the provisions of Section 6.01 hereof, the parties hereto will cause the Merger to be consummated by filing with the Secretary of State of the State of Delaware a properly executed certificate of merger in accordance with the Delaware GCL (the time of such filing being referred to herein as the "Effective Time").

SECTION 1.04 Charter; By-Laws; Directors and Officers. The Certificate of Incorporation of the Surviving Corporation from and after the Effective Time shall be the Certificate of Incorporation of Acquisition as in effect immediately prior to the Effective Time, until thereafter amended in accordance with the provisions thereof and as provided by the Delaware GCL, except that, at the Effective Time, Article I thereof shall be amended to read as follows: "The name of the Corporation is "CHECKFREE SERVICES CORPORATION." The By-Laws of the Surviving Corporation from and after the Effective Time shall be the By-Laws of Acquisition as in effect immediately prior to the Effective Time, continuing until thereafter amended in accordance with the provisions thereof and the provisions of the Certificate of Incorporation of the Surviving Corporation and as provided by the Delaware GCL. The initial directors and officers of the Surviving Corporation shall be the directors and officers, respectively, of Acquisition immediately prior to the Effective Time, in each case until their removal or until their respective successors are duly elected and qualified.

SECTION 1.05 Acknowledgement Regarding the Company's Assets. For purposes of clarifying the rights to be acquired upon consummation of the Merger, Parent and Acquisition hereby acknowledge and agree with Holdings and the Company that the assets set forth on Schedule 1.05 hereto, located at 2001 Butterfield Road, Suite 700, 800 and 900, Downer's Grove, Illinois and 444 North Commerce Street, Aurora, Illinois are as of the Effective Date of this Agreement, owned by Holdings.

SECTION 1.06 Further Assurances. Subject to the provisions of Section 1.05 hereof, if at any time after the Effective Time the Surviving Corporation shall consider or be advised that any deeds, bills of sale, assignments or assurances or any other acts or things are necessary, desirable or proper (i) to vest, perfect or confirm, of record or otherwise, in the Surviving Corporation, its right, title or interest in, to or under any of the rights, privileges, powers, franchises, properties or assets of either of the Constituent Corporations, or (ii) otherwise to carry out the purposes of this Agreement, the Surviving Corporation and its proper officers and directors or their designees shall be authorized to execute and deliver, in the name and on behalf of either of the Constituent Corporations, all such deeds, bills of sale, assignments and

assurances and do, in the name and on behalf of such Constituent Corporation, all such other acts

and things necessary, desirable or proper to vest, perfect or confirm its right, title or interest in, to or under any of the rights, privileges, powers, franchises, properties or assets of such Constituent Corporation and otherwise to carry out the purposes of this Agreement; provided, however, that the Surviving Corporation shall have no rights under this Section 1.06 in connection with any of Holdings' assets, properties, services, businesses or properties.

ARTICLE II

CONVERSION OF SECURITIES

SECTION 2.01 Conversion of Securities of the Company. By virtue of the Merger and without the need for any action on the part of the holders of the capital stock of the Company, at the Effective Time, all outstanding shares of the capital stock of the Company (excluding shares held in the treasury of the Company, which shall be canceled as provided in paragraph (c) below, and subject to Section 2.05(c) hereof) shall be converted into the right to receive fully paid and nonassessable shares of Parent Common Stock on the following basis:

(a) Merger Consideration. The shares of Common Stock, $1.00 par value, of the Company (the "Company Common Stock") that are issued and outstanding immediately prior to the Effective Time shall be converted into the right to receive 12,600,000 shares of Parent Common Stock, subject to the potential adjustment set forth in Section 2.02 hereof, as follows (the "Merger Consideration"):

(i) 11,340,000 shares of Parent Common Stock shall be issued to the sole stockholder of the Company Common Stock at Closing (as hereinafter defined); and

(ii) 1,260,000 shares of Parent Common Stock (the "Escrow Shares") shall be issued to the sole stockholder of the Company Common Stock subject to Section 2.03 below. Upon any adjustment of the Merger Consideration pursuant to Section 2.02, the number of shares of Parent Common Stock that are Escrow Shares shall be reduced in proportion to such Merger Consideration Adjustment (as hereinafter defined).

If, prior to the Effective Time, Parent recapitalizes through a subdivision of its outstanding shares into a greater number of shares, or a combination of its outstanding shares into a lesser number of shares, or reorganizes, reclassifies or otherwise changes its outstanding shares into the same or a different number of shares of other classes or series, or declares a dividend on its outstanding shares payable in shares of its capital stock or securities convertible into shares of its capital stock (a "Capital Change"), then the number of shares of Parent Common Stock constituting the Merger Consideration shall be adjusted appropriately to reflect each such Capital Change.

(b) Company Common Stock. At the Effective Time, each share of Company Common Stock that is issued and outstanding immediately prior to the Effective Time shall be canceled and converted into the right to receive that number of shares of Parent Common Stock equal to the quotient obtained by dividing the Merger Consideration by the number of shares of Company Common Stock that are issued and outstanding immediately prior to the Effective Time.

(c) Treasury Stock. At the Effective Time, each share of capital stock of the Company that is then held in the treasury of the Company (if any) shall be canceled and retired and no capital stock of Parent and no cash or other consideration shall be paid or delivered in exchange therefor.

SECTION 2.02 Merger Consideration Adjustment. In the event that, after the date of this Agreement and prior to the Closing, the Company incurs, realizes, or otherwise experiences a Material Adverse Change (as hereinafter defined) in its financial condition, properties, assets, liabilities, Business (as defined herein), operations, or results of operations, then at or prior to the Effective Time, the Merger Consideration shall be adjusted as follows:

(a) Change Notice. If Parent believes that the Company has incurred, realized, or otherwise experienced a Material Adverse Change in its financial condition, properties, assets, liabilities, Business (as defined herein), operations, or results of operations and Parent desires a Merger Consideration Adjustment (as defined below), then Parent must prior to Closing give Holdings and the Company written notice of Parent's claim that such a Material Adverse Change has occurred (the "Change Notice"), which Change Notice shall state with specificity the grounds on which Parent contends that such Material Adverse Change has occurred and Parent's proposal for a Merger Consideration Adjustment. Parent may only make one (1) request for a Merger Consideration Adjustment.

(b) Attempt to Agree. Following their receipt of the Change Notice, Parent, Holdings and the Company will in good faith consider Parent's assertions set forth in the Change Notice and will use their best efforts to in good faith reach a mutual agreement, as promptly as practicable, as to the amount by which the Merger Consideration shall be reduced by reason of the Material Adverse Change described in the Change Notice (the "Merger Consideration Adjustment"). In attempting to reach an agreement as to the Merger Consideration Adjustment, the parties will consider, among other things, the extent (if any) to which the fair market value of the Company has been diminished by the Material Adverse Change described in the Change Notice. If Parent, Holdings and the Company agree to a Merger Consideration Adjustment, then they shall execute a written agreement to such effect (the "Merger Consideration Agreement") setting forth the amount of the Merger Consideration Adjustment they have agreed to.

(c) Dispute Resolution Procedure.

(i) Agreement on Material Adverse Change. If Parent, Holdings and the Company agree that a Material Adverse Change in the Company's financial condition, properties, assets, liabilities, Business, operations, or results of operations occurred after the Effective Date of this Agreement and prior to the Closing Date (as hereinafter defined), but are unable to mutually agree in writing on the amount of a Merger Consideration Adjustment within ten (10) days after the date on which Holdings and the Company receive the Change Notice (the "Receipt Date"), then the amount of the Merger Consideration Adjustment (if any) shall be determined in accordance with the appraisal procedure set forth in Section 2.02(c)(iii) below.

(ii) No Agreement on Material Adverse Change. If Holdings and the Company do not agree with Parent's assertion in the Change Notice that a Material Adverse Change in the Company's financial condition, properties, assets, liabilities, Business, operations,

or results of operations occurred after the Effective Date of this Agreement and prior to the Closing Date, and Parent, Holdings and the Company have not agreed in writing on the amount of a Merger Consideration Adjustment within ten (10) days after the Receipt Date, then, within twenty (20) days after the Receipt Date, the parties shall submit to mandatory binding arbitration the sole issue of whether or not such a Material Adverse Change occurred. Such arbitration shall be conducted in Chicago, Illinois in accordance with the Commercial Arbitration Rules of the American Arbitration Association then in effect, and shall be concluded within thirty (30) days to the extent reasonably practicable. The arbitration will be conducted by a single arbitrator, mutually selected by the parties, who shall decide only the issue of whether or not a Material Adverse Change in the Company's financial condition, properties, assets, liabilities, Business, operations, or results of operations occurred after the Effective Date of this Agreement and prior to the Closing Date in the manner set forth in the Change Notice. The arbitrator's determination as to whether or not such a Material Adverse Change occurred after the Effective Date of this Agreement and prior to the Closing Date shall be conclusive, final, non-appealable and binding upon each of the parties to this Agreement and judgment may be entered upon the arbitrator's determination in accordance with applicable law in any court having competent jurisdiction over the matter. In connection with the arbitration proceedings, the parties will be entitled to conduct discovery in scope, timing, types, and under such procedures as such parties would otherwise be afforded had the dispute or controversy hereunder been subject to the Federal Rules of Civil Procedure. If the arbitrator determines that no Material Adverse Change occurred after the Effective Date of this Agreement, then no Merger Consideration Adjustment shall be made; and if the arbitrator determines that a Material Adverse Change has occurred after the Effective Date of this Agreement, then the amount of the Merger Consideration Adjustment shall be determined by the appraisal procedure set forth in Section 2.02(c)(iii) below (unless the parties otherwise agree in writing). The foregoing agreement to arbitrate shall be specifically enforceable under the prevailing arbitration law.

(iii) Appraisal Procedure. When the appraisal procedure set forth in this subparagraph is required to be used by the provisions of subparagraph 2.02(c)(i) or (ii), then the amount of the Merger Consideration Adjustment shall be determined as follows. Within twenty (20) days after the Receipt Date (or within ten (10) days after the completion of the arbitration referred to in Section 2.02(c)(ii) if such arbitration occurs) (A) Parent, on the one hand, and Holdings and the Company, on the other hand, shall each select one Qualified Appraiser (as defined below) (the "Selected Appraiser") to determine the amount of the Merger Consideration Adjustment (if any) arising from the Material Adverse Change set forth in the Change Notice; and (B) Parent, on the one hand, and Holdings and the Company, on the other hand, shall each give the other written notice (the "Appraiser Notice") of the identity of their respective Selected Appraiser. Parent's Selected Appraiser is sometimes hereinafter called the "Parent Appraiser" and the Selected Appraiser of Holdings and the Company is sometimes hereinafter called the "Holdings Appraiser." The Company shall provide each side's Selected Appraiser with full

access during normal business hours to the Company's facilities, products, personnel, books, records and financial statements (subject to the execution of reasonable confidentiality agreements by such Selected Appraisers) solely for purposes of assisting the Selected Appraisers in determining the amount of the Merger Consideration Adjustment. Each Selected Appraiser shall attempt to determine the amount of the Merger Consideration Adjustment, which, for purposes of such appraisal, shall be the number of shares of the Parent's Common Stock equal to the quotient obtained by dividing (i) the amount (if any) by which the

fair market value of the Company was diminished from the Effective Date of this Agreement to the Closing Date as a result of the Material Adverse Change described in the Change Notice, by (ii) the average closing price per share of the Parent's Common Stock as reported on the Nasdaq National Market (the "Nasdaq NM") for the five (5) trading days immediately preceding the Effective Date of this Agreement. Within ten (10) days after a Selected Appraiser has been selected, the Parent Appraiser and the Holdings Appraiser shall each deliver to Parent and Holdings a brief written report (the "Appraisal Report") setting forth such Selected Appraiser's appraisal and determination of the amount of the Merger Consideration Adjustment and, unless the parties otherwise agree in writing to the amount of the Merger Consideration Adjustment, the Parent Appraiser and the Holdings Appraiser shall select a third appraiser (the "Determining Appraiser") which shall also be a Qualified Appraiser. The Determining Appraiser will review the Appraisal Reports and the amount of the Merger Adjustment will be the amount set forth in the Appraisal Report which is, in the judgment of the Determining Appraiser, the most nearly correct; provided, however, that notwithstanding the foregoing, if there is only one Selected Appraiser because Parent, on the one hand, or Holdings or the Company, on the other hand, fail to select its Selected Appraiser, then unless the parties otherwise agree in writing to the amount of the Merger Consideration Adjustment, the amount of the Merger Consideration Adjustment shall conclusively be deemed to be the amount thereof determined by such Selected Appraiser in its Appraisal Report. Parent, on the one hand, and Holdings, on the other hand, shall pay the fees and expenses charged by such party's Selected Appraiser and shall share equally the fees and expenses charged by the Determining Appraiser. As used herein, the term "Qualified Appraiser" means an investment banking firm of national or regional reputation that is substantially experienced in representing and valuing software companies in underwritten public offerings and/or merger and acquisition transactions, provided that such investment banking firm and its affiliates do not have a family relationship, or a then-currently active significant business relationship with the party who selected such appraiser, or advised or represented any of the parties in connection with this Agreement and the transactions contemplated hereunder.

(iv) Efforts to Agree. Nothing in this paragraph shall prevent the parties from further efforts to reach a mutual agreement on the amount of the Merger Consideration Adjustment (if any) while the arbitration procedure and/or the appraisal procedure described in Sections 2.02(c)(ii) and (iii) above is pending and any mutual written agreement reached by Parent, Holdings and the Company regarding the amount of the Merger Consideration Adjustment shall be the conclusive, final, non-appealable and determinative resolution of the amount of the Merger Consideration Adjustment, binding upon each of the parties hereto.

(d) Material Adverse Change. As used herein, "Material Adverse Change" means a material adverse change other than a change arising or resulting, directly or indirectly, from industry conditions or the public announcement of, or the response or reaction of customers, vendors, licensors, investors, Company employees or others to, this Agreement, the Merger, or any of the agreements or transactions contemplated by this Agreement or entered into in connection with this Agreement or the Merger.

(e) Meaning of Merger Consideration. From and after the effectiveness of any Merger Consideration Adjustment in accordance with this Section 2.02, the term "Merger Consideration" as used in this Agreement, shall mean the reduced amount of Merger

Consideration to be paid to Holdings as the sole stockholder of the Company pursuant to Section 2 of this Agreement, as modified by the Merger Consideration Adjustment.

SECTION 2.03 Release of Escrow Shares. The Escrow Shares shall be released from escrow and delivered to Holdings one (1) year after the Closing Date, subject to the terms of the Escrow Agreement (as hereinafter defined) and the provisions of Article VII. The rights of Parent and Acquisition under Article VII shall not be in any manner limited to the Escrow Shares, but shall be subject to the limitations set forth in Article VII.

SECTION 2.04 Conversion of Acquisition Common Stock. At the Effective Time, each share of Common Stock, $.01 par value, of Acquisition that is issued and outstanding immediately prior to the Effective Time shall remain outstanding

and, by virtue of the Merger, automatically and without the need for any action on the part of the holder thereof, shall be converted into and become one (1) validly issued, fully paid and nonassessable share of Common Stock of the Surviving Corporation.

SECTION 2.05 Surrender and Exchange of Shares.

(a) At the Effective Time, each holder of an outstanding certificate or certificates that immediately prior thereto represented shares of the capital stock of the Company shall surrender the same to Parent or its agent, and each such holder shall be entitled upon such surrender to receive in exchange therefor, without cost to it, the number of shares of Parent Common Stock into which the shares theretofore represented by the certificate so surrendered shall have been converted as provided in Section 2.01 hereof, and the certificate or certificates so surrendered in exchange for such consideration shall forthwith be canceled by Parent.

(b) If a certificate representing shares of the capital stock of the Company has been lost, stolen or destroyed, the holder of such certificate shall submit an affidavit describing the lost, stolen or destroyed certificate, the number of shares evidenced thereby and affirming the status of that certificate in lieu of surrendering such certificate to Parent, which shall deem such certificate canceled; provided that Parent may require the holder of such certificate to provide Parent with a bond in such amount as Parent may direct as a condition to paying any consideration hereunder. Until so surrendered, the outstanding certificates that, prior to the Effective Time, represented shares of the capital stock of the Company that shall have been converted as aforesaid shall be deemed for all corporate purposes, except as hereinafter provided, to evidence the ownership of the Merger Consideration into which such shares have been so converted.

(c) No certificates or scrip representing fractional shares of Parent Common Stock shall be issued upon the surrender for exchange of certificates held by stockholders of the Company, and such fractional share interests will not entitle the owner thereof to vote or to any rights of a stockholder of Parent. Each holder of shares of the capital stock of the Company who would otherwise have been entitled to receive in the Merger a fraction of a share of Parent Common Stock (after taking into account all certificates surrendered by such holder) shall be entitled to receive from Parent at the Effective Time, in lieu thereof, cash (without interest) in an amount equal to such fractional part of a share of Parent Common Stock multiplied by the average of the per share closing prices on the Nasdaq NM of shares of Parent Common Stock

during the five (5) consecutive trading days immediately preceding the Effective Date of this Agreement. It is understood (i) that the payment of cash in lieu of fractional shares of Parent Common Stock is solely for the purpose of avoiding the expense and inconvenience to Parent of issuing fractional shares and does not represent separately bargained-for consideration; and (ii) that no holder of shares of Company capital stock will receive cash in lieu of fractional shares of Parent Common Stock in an amount greater than the value of one full share of Parent Common Stock.

SECTION 2.06 Closing of Stock Transfer Books. On and after the Effective Time, there shall be no transfers on the stock transfer books of the Company or Parent of shares of capital stock of the Company that were issued and outstanding immediately prior to the Effective Time.

SECTION 2.07 Closing. The closing (the "Closing") shall be scheduled to occur at the offices of Porter, Wright, Morris & Arthur, Columbus, Ohio at 10:00 a.m. local time, on a date as soon as practicable (but in any event not later than the third business day, unless otherwise agreed) after the satisfaction or waiver of the conditions to the obligations of the parties to effect the Merger set forth herein. The Closing, and all transactions to occur at the Closing, shall be deemed to have taken place at, and shall be effective as of, the close of business on the date of closing (the "Closing Date").

SECTION 2.08 Tax-Free Reorganization. The parties intend to adopt this Agreement as a tax-free plan of reorganization and to consummate the Merger in accordance with the provisions of Section 368(a)(1)(A) of the Internal Revenue Code by virtue of the provisions of Section 368(a)(2)(E) of the Internal Revenue Code. The parties believe that the value of the Parent Common Stock to be issued to Holdings as the sole stockholder of the Company in the Merger is equal to the value of the Company Common Stock to be surrendered in exchange therefor. The Parent Common Stock issued in the Merger will be issued solely in exchange for the Company's outstanding Common Stock, and no other transaction other than the Merger represents, provides for or is intended to be an adjustment to, the consideration paid for the Company's Common Stock. Except for cash paid in lieu of fractional shares, no consideration that could constitute "other property" within the meaning of Section 356 of the Internal Revenue Code is being paid by Parent for the Company Common Stock in the Merger. The parties will not take a position on any tax returns that is inconsistent with the provisions of this Section. In addition, Parent represents now, and as of the Effective Time, that

it intends to continue the Company's historic business or use a significant portion of the Company's business assets in a business. Concurrently herewith, and again at the Closing, Parent shall execute and deliver to Holdings a certificate substantially in the form of Exhibit A. The provisions and representations contained or referred to in this Section 2.08 and in Exhibit A shall survive until the expiration of the applicable statute of limitations.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

SECTION 3.01 Representations and Warranties of Holdings and the Company. Holdings and the Company, jointly and severally, represent and warrant to Parent and Acquisition, except as set forth in the Holdings/Company Disclosure Letter dated of even date

herewith that is being delivered to Parent concurrently herewith (the "Holdings/Company Disclosure Letter"), as follows:

(a) Organization and Qualification. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has all requisite corporate power and authority to own or lease and operate its properties and assets and to carry on its business as it is now being conducted. The Company is duly qualified as a foreign corporation to do business, and is in good standing, in each jurisdiction in which the character of its properties owned or leased or the nature of its activities makes such qualification necessary, except where the failure to be so qualified would not have a Company Material Adverse Effect (as hereinafter defined). As used in this Agreement, the term "Company Material Adverse Effect" shall mean a material adverse effect on the properties, assets, financial condition, operating results or business of the Company, taken as a whole; provided, however, that the term "Company Material Adverse Effect" shall not include any such material adverse effect arising or resulting, directly or indirectly, from industry conditions or the public announcement of, or the response or reaction of customers, vendors, licensors, investors, Company employees or others to, this Agreement, the Merger, or any of the agreements or transactions contemplated by this Agreement or entered into in connection with this Agreement or the Merger.

(b) Subsidiaries. The Company does not have any subsidiaries or ownership of any equity interest in any corporation, partnership, joint venture, or other business entity.

For purposes of this Agreement, the term "subsidiary," when used with respect to Holdings or the Company, shall mean any corporation or other business entity a majority of whose outstanding equity securities is at the time owned, directly or indirectly, by either Holdings, the Company, and/or one or more of their other subsidiaries.

(c) Capitalization. The authorized capital stock of the Company consists of 1,000,000 shares of Company Common Stock, $1.00 par value per share. A total of 100 shares of Company Common Stock are issued and outstanding, all of which were duly authorized and validly issued and are fully paid and nonassessable. No subscription, warrant, option, call, commitment, convertible security, stock appreciation or other right (contingent or other) to purchase or acquire any shares of any class of capital stock of the Company is authorized or outstanding and there is not any commitment of the Company to issue any shares, warrants, options, or other such rights or to distribute to holders of any class of its capital stock any evidences of indebtedness or assets. Except as set forth on Schedule 3.01(c), the Company does not have any obligation (contingent or other) to purchase, redeem or otherwise acquire any shares of its capital stock or any interest therein or to pay any dividend or make any other distribution in respect thereof. Schedule 3.01(c) sets forth a complete and correct list of the holders of record of the Company Common Stock and the holders of all options or other rights, if any, to purchase Company Common Stock, including by name of the holder the number of shares or the number of shares obtainable on exercise of options or rights held.

(d) Authority Relative to Agreement. The Company has all requisite corporate power and authority to execute and deliver this Agreement and to perform its obligations hereunder. The execution, delivery and performance of this Agreement by the

Company and the consummation by it of the transactions contemplated hereby have been duly authorized by the Company's Board of Directors and no other corporate approvals or proceedings on the part of the Company are necessary to authorize this Agreement and the transactions contemplated hereby, other than the approval and adoption of this Agreement by the sole stockholder of the Company as required by the Delaware GCL. This Agreement has been duly executed and delivered by the Company and, subject to obtaining such stockholder approval,

constitutes the legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, subject to the effect, if any, of (a) applicable bankruptcy and other similar laws affecting the rights of creditors generally, (b) rules of law governing specific performance, injunctive relief and other equitable remedies, and (c) the limitations imposed by public policy on the enforceability of provisions requiring indemnification in connection with the offering, issuance or sale of securities. The Company's Board of Directors has by the requisite vote (i) determined that this Agreement and the Merger is advisable and fair and in the best interests of the Company and its sole stockholder and (ii) resolved to recommend the approval of this Agreement and the Merger by the Company's sole stockholder and to submit this Agreement and the Merger to the Company's sole stockholder for its consideration and approval when the Company is permitted to do so by applicable law. The affirmative vote of the holders of a majority of the outstanding Company Common Stock is the only vote of the holders of any class or series of the Company's capital stock necessary to approve this Agreement, the Merger and the transactions contemplated hereby and thereby.

(e) Non-Contravention. The execution and delivery of this Agreement by the Company and the consummation by the Company of the transactions contemplated hereby will not (i) violate or conflict with any provision of the Certificate of Incorporation or By-Laws of the Company or (ii) except as set forth on Schedule 3.01(e) hereof, result in any violation of, conflict with, or default (or an event which with notice or lapse of time or both would constitute a default) or loss of a benefit under, or permit the termination of or the acceleration of any obligation under, any material mortgage, indenture, lease, agreement or other instrument to which the Company is a party or by which its assets are bound, permit, concession, grant, franchise, license, judgment, order, decree, statute, law, ordinance, rule or regulation applicable to the business conducted by the Company (the "Business") or to the Company or their respective properties, or (iii) result in the creation or imposition of any liens, claims, charges, restrictions, rights of others, security interests, prior assignments or other encumbrances (collectively, "Claims") in favor of any third person or entity upon any of the assets of the Company, other than any such violation, conflict, default, loss, termination or acceleration that would not have a Company Material Adverse Effect.

(f) Consents. Except as set forth on Schedule 3.01(f), no consent, approval, order or authorization of, or registration, declaration or filing with, any Federal, state, local or foreign governmental or regulatory authority is required to be made or obtained by the Company in connection with the execution and delivery of this Agreement by the Company or the consummation by the Company of the transactions contemplated hereby, except for (i) compliance by the Company with the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the "HSR Act"), (ii) the filing of a certificate of merger with the Secretary of State of the State of Delaware in accordance with the Delaware GCL and (iii) such consents, approvals, orders or authorizations which if not obtained, or registrations, declarations or filings which if not made, would not have a Company Material Adverse Effect or materially adversely affect the ability of

the Company to consummate the transactions contemplated hereby or the ability of the Surviving Corporation or any of its subsidiaries to conduct the Business after the Effective Time.

(g) Financial Statements, Etc. The Company has furnished to Parent the unaudited balance sheet of the Company of July 31, 1996 and the related statements of operations for each of the two years ended July 31, 1996 and 1995, certified by the principal financial officer of the Company. The foregoing unaudited financial statements of the Company shall be collectively referred to as the "Financial Statements." All such Financial Statements (including any related schedules and/or notes, if any) have been prepared in a manner consistent with the manner with which Holdings has prepared financial statements for the Company and Holdings' other subsidiaries under accounting principles consistently applied and consistent with prior periods, except that such statements are subject to year end adjustments (which consist of normal recurring accruals) and do not contain footnote disclosures. Such balance sheet fairly presents in all material respects the financial position of the Company as of its respective date, and such statements of operations fairly present in all material respects the results of operations of the Company for the respective periods then ended, subject to normal year-end adjustments and the absence of footnote disclosures.

Except as and to the extent (i) reflected on the unaudited balance sheet of the Company as of July 31, 1996 referred to above, (ii) incurred since July 31, 1996 in the ordinary course of business consistent with past practice, or (iii) set forth on Schedule 3.01(g) hereto, the Company does not have any liabilities or obligations of any kind or nature, whether known or unknown or secured or unsecured (whether absolute, accrued, contingent or otherwise, and whether due or to become due) that would be required to be reflected on a balance sheet, or the notes thereto, prepared in accordance with generally accepted accounting principles. Between July 31, 1996 and the

Effective Date of this Agreement, the Company has not suffered any Company Material Adverse Effect.

(h) Absence of Certain Changes or Events. Except as set forth on Schedule 3.01(h) hereto, or as otherwise disclosed in the Financial Statements of the Company, since July 31, 1996, the Company has not (i) issued any stock, bonds or other corporate securities, (ii) borrowed or refinanced any amount or incurred any liabilities (absolute or contingent) in excess of $50,000, other than trade payables incurred in the ordinary course of business consistent with past practice, (iii) discharged or satisfied any claim in excess of $100,000 or incurred or paid any obligation or liability (absolute or contingent) other than current liabilities shown on the balance sheet of the Company as of July 31, 1996 and current liabilities incurred since the date of such balance sheet in the ordinary course of business consistent with past practice, (iv) declared or made any payment or distribution to stockholders or purchased or redeemed any shares of its capital stock or other securities, (v) mortgaged, pledged or subjected to lien any of its assets, tangible or intangible, other than liens for current real property taxes not yet due and payable, (vi) sold, assigned or transferred any of its tangible assets, or canceled any debts or claims, except in the ordinary course of business consistent with past practice or as otherwise contemplated hereby, (vii) sold, assigned or transferred any Intellectual Property Rights (as hereinafter defined) or other intangible assets, (viii) waived any rights of substantial value, whether or not in the ordinary course of business, (ix) entered into, adopted, amended or terminated any bonus, profit sharing, compensation, termination, stock option, stock appreciation right, restricted stock, performance unit, pension, retirement, deferred compensation,

employment, severance or other employee benefit plan, agreement, trust, fund or other arrangement for the benefit of any director, officer or employee of the Company, or increased in any manner the compensation or fringe benefits of any director or officer of the Company, or increased the compensation or fringe benefits of any executive officer of the Company other than in the ordinary course of business consistent with past practices, or made any payment of a cash bonus to any director or officer or to any employee of, or consultant or agent to, the Company or made any other material change in the terms or conditions of employment, (x) announced any plan or legally binding commitment to create any employee benefit plan, program or arrangement or to amend or modify in any material respect any existing employee benefit plan, program or arrangement, (xi) eliminated the vesting conditions or otherwise accelerated the payment of any compensation, (xii) suffered any damage, destruction or loss to any of its assets or properties, (xiii) made any change in its accounting systems, policies, principles or practices, (xiv) made any loans to any person, (xv) incurred damage, destruction, or loss, whether or not covered by insurance, affecting the properties, assets, or Business of the Company, (xvi) made any change with respect to management, supervisory, or other key personnel of the Company, (xvii) paid or discharged a lien or liability not appearing on the Financial Statements, or (xviii) to the extent not otherwise set forth herein, taken any action described in Section 4.01 hereof. Between July 31, 1996 and the Effective Date of this Agreement, there has not been a Material Adverse Change (as defined in Section 2.02(d)) in the financial condition, properties, assets, liabilities, Business, operations, results of operations of the Company.

(i) Certain Information. Provided that Parent allows Holdings and the Company to modify any information regarding Holdings or the Company contained therein, none of the information supplied by the Company for inclusion in the Registration Statement or the Proxy Statement/Prospectus (as hereinafter defined) will, at the respective times such documents or any amendments or supplements thereto are filed with the SEC, contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that no representation is made by the Company with respect to information supplied by Parent which relates to the Parent, Acquisition, or any affiliate or associate of Parent for inclusion in the Registration Statement or the Proxy Statement/Prospectus. Provided that Parent allows Holdings and the Company to modify any information regarding Holdings or the Company contained therein, none of the information relating to the Company included in the Registration Statement or the Proxy Statement/Prospectus that has been supplied by the Company and/or Holdings will, at the time the Proxy Statement/Prospectus is distributed to the Company's and/or Parent's stockholders, be false or misleading with respect to any material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(j) Actions Pending. Except as set forth on Schedule 3.01(j) hereto, (i) there is no action, suit, dispute, investigation, proceeding or claim pending or, to the knowledge of Holdings and the Company, threatened against or affecting the Company, or its properties or rights, or the Business, before any court, administrative agency, governmental body, arbitrator, mediator or other dispute resolution body, and the Company is not aware of any facts or circumstances which are reasonably likely to give rise to any such action, suit,

dispute, investigation, proceeding or claim, (ii) the Company is not subject to any order, judgment, decree, injunction, stipulation, or consent order of or with any court or other governmental

agency, and (iii) the Company has not entered into any agreement to settle or compromise any proceeding pending or threatened against it which has involved any obligation other than the payment of money or for which the Company has any continuing obligation, which (in the case of each of clauses (i), (ii) and (iii) of this Section 3.01(j)) is reasonably likely to have a Company Material Adverse Effect or which might materially and adversely affect the ability of the Company to consummate the transactions contemplated hereby, or materially and adversely affect the ability of Parent to conduct the Business after the Effective Time.

(k) Title to Properties. The Company has good and valid title to the properties and assets reflected on the unaudited balance sheet of the Company as of July 31, 1996 other than nonmaterial properties and assets disposed of in the ordinary course of business consistent with past practice since the date of such balance sheet, and all such properties and assets are free and clear of Claims, except (i) as described on Schedule 3.01(k) hereto, (ii) liens for current taxes not yet due, and (iii) minor imperfections of title, if any, not material in amount and not materially detracting from the value or impairing the use of the property subject thereto or impairing the operations or proposed operations of the Company (collectively, "Permitted Liens"). Such properties and assets constitute all of the assets necessary to conduct the Business substantially in the same manner as it has been conducted prior to the date hereof.

(l) Real Property Interests. Schedule 3.01(l) hereto sets forth a complete and accurate list of (i) the real properties owned by the Company (the "Fee Properties") and (ii) the real properties leased by the Company (the "Leased Properties"). The Company has good and marketable fee simple title to the Fee Properties and good and marketable leasehold title to the Leased Properties, listed on Schedule 3.01(l), free and clear of all Claims, tenants and occupants except for Permitted Liens. Complete and accurate copies of all leases or other agreements relating to the Leased Properties have been delivered to Parent and there have been no material changes or amendments to such leases or agreements since such delivery. The Company is the lawful owner of all improvements and fixtures located on the Fee Properties and all moveable fixtures located at the Leased Properties, free and clear of all Claims except for Permitted Liens. Each lease or other agreement relating to the Leased Properties is a valid and subsisting agreement, without any material default of the Company thereunder and without any material default thereunder of the other party thereto, and such leases and agreements give the Company the right to use or occupy, as the case may be, all real properties as are sufficient and adequate to operate the Business as it is currently being conducted. Except as set forth on Schedule 3.01(l), the Company's possession of such property has not been disturbed nor has any claim relating to the Company's title to or possession of such property been asserted against the Company that would have a Company Material Adverse Effect.

(m) Intellectual Property Rights. The patents, trademarks and trade names, trademark and trade name registrations, service mark, brand mark and brand name registrations, copyrights, inventions, know-how, trade secrets, proprietary processes and information, software source and object code, the applications therefor and the licenses with respect thereto (collectively, "Intellectual Property Rights") listed on Schedule 3.01(m) hereto constitute all material proprietary rights owned or held by the Company that are necessary to the conduct of the Business. Except as set forth on Schedule 3.01(m), (i) the Company conducts the Business without any known infringement or claim of infringement of any Intellectual Property Right of others and the conduct by the Surviving Corporation after the Effective Time of the Business, in

substantially the same manner as it is currently conducted, will not constitute a breach or violation of any agreement relating to the Intellectual Property Rights listed on Schedule 3.01(m) (other than as a result of agreements to which Parent or any of its affiliates is a party); (ii) the Company is, and after the consummation of the Merger will be, the sole and exclusive owner of each Intellectual Property Right listed on Schedule 3.01(m), free and clear of any Claims (other than Permitted Liens), and, to the knowledge of Holdings and the Company, no person is challenging, infringing, misappropriating or otherwise violating any such Intellectual Property Rights or claiming that the conduct of the Business, infringes, misappropriates or otherwise violates the Intellectual Property Rights of any third party; (iii) the Company is not aware of any impediment to the registration of any trademark that is the subject of any application for registration listed on Schedule 3.01(m) that would have a Company Material Adverse Effect; (iv) none of the Intellectual Property Rights listed on Schedule 3.01(m) is the subject of any outstanding order, ruling, decree, judgment or stipulation specifically binding on the Company; (v) to the knowledge of Holdings and the Company, none of the activities of any employee of the Company on behalf thereof violates any obligations of such employee to third parties, including, without limitation, confidentiality or noncompetition

obligations under agreements with a former employer; (vi) the Company is not aware of any unauthorized use by a third party of any computer software programs or applications that the Company considers to be a trade secret belonging to the Company; (vii) the Company has taken and is taking reasonable precautions to protect all material trade secrets and other confidential information relating to its proprietary computer software programs and applications or included in the Intellectual Property Rights that are material to the conduct of the Business; and (viii) the execution, delivery, and performance of this Agreement and the consummation of the Merger will not constitute a breach or default of any Intellectual Property Rights that are material to the conduct of the Business.

(n) Labor Matters. The Company is not a party to any collective bargaining or union agreement, and no such agreement is applicable to any employees of the Company. There are not any controversies between the Company and any of such employees that might reasonably be expected to result in a Company Material Adverse Effect, or any unresolved labor union grievances or unfair labor practice or labor arbitration proceedings pending, or threatened relating to the Business. There are no labor unions or other organizations representing or purporting to represent any employees of the Company and there are not any organizational efforts currently being made or threatened involving any of such employees. Except as set forth on Schedule 3.01(n) hereto, the Company is in compliance in all material respects with all laws and regulations or other legal or contractual requirements regarding the terms and conditions of employment of employees, former employees or prospective employees or other labor related matters, including, without limitation, laws, rules, regulations, orders, rulings, conciliation agreements, decrees, judgments and awards relating to wages, hours, the payment of social security and similar taxes, equal employment opportunity, employment discrimination, fair labor standards and occupational health and safety, wrongful discharge or violation of the personal rights of employees, former employees or prospective employees. The Company is not liable for any material amount of arrears of wages or any taxes or penalties for failure to comply with any of the foregoing.

(o) Severance Arrangements. Except as set forth on Schedule 3.01(o) hereto, the Company is not party to any agreement with any employee (i) the benefits of which (including, without limitation, severance benefits) are contingent, or the terms of which are

materially altered, upon the occurrence of a transaction involving the Company of the nature of any of the transactions contemplated by this Agreement or (ii) providing severance benefits in excess of those generally available under the Company's severance policies (which are described on Schedule 3.01(o)), or which are conditioned upon a change of control, after the termination of employment of such employees regardless of the reason for such termination of employment, and the Company is not a party to any employment agreement or compensation guarantee extending for a period longer than one year. Schedule 3.01(o) sets forth all employment agreements and compensation guarantees, regardless of duration, to which the Company is a party. Except as a result of actions taken by Parent or the Surviving Corporation, no amounts will be due or payable to any employee of the Company under any such severance arrangement or otherwise by virtue of the refusal of such employee to accept the offer of employment of the Surviving Corporation.

(p) Taxes.

(i) Except as set forth on Schedule 3.01(p) hereto, the Company or an affiliate on behalf of the Company has (A) timely filed all Federal and all material state, local and foreign returns, declarations, reports, estimates, information returns and statements relating to the Company's operations ("Returns") required to be filed by it in respect of any Taxes (as hereinafter defined), (B) timely paid all Taxes that are due and payable with respect to the periods covered by the Tax Returns referred to in clause (A) without regard to whether such Taxes have been assessed (except for audit adjustments not material in the aggregate or to the extent that liability therefor is reserved for in the Company's most recent unaudited financial statements), (C) established reserves that are adequate for the payment of all Taxes not yet due and payable with respect to the results of operations of the Company, and (D) complied in all material respects with all applicable laws, rules and regulations relating to the payment and withholding of Taxes and has in all material respects timely withheld from employee wages and paid over to the proper governmental authorities all amounts required to be so withheld and paid over.

(ii) The Company has no liability for the Taxes of any Person or entity other than the Company under Regulation 1.1502-6 of the Internal Revenue Code.

(iii) Schedule 3.01(p) sets forth the last taxable period through which the Federal income Tax Returns of the Company have been examined by the Internal Revenue Service or otherwise closed. All deficiencies asserted as a result of such examinations and any

examination by any applicable state, local or foreign taxing authority which have not been or will not be appealed or contested in a timely manner have been paid, fully settled or adequately provided for in the Company's most recent audited financial statements. Except as set forth on Schedule 3.01(p), no Federal, state, local or foreign Tax audits or other administrative proceedings or court proceedings are currently pending with regard to any Federal or material state, local or foreign Taxes for which the Company would be liable, and no deficiency for any such Taxes has been proposed, asserted or assessed or threatened pursuant to such examination of the Company by such Federal, state, local or foreign taxing authority with respect to any period.

(iv) Except as set forth on Schedule 3.01(p), the Company has not executed or entered into (or prior to the Effective Time will execute or enter into) with the Internal Revenue Service or any taxing authority (A) any agreement or other document extending or having the effect of extending the period for assessments or collection of any Federal, state, local or foreign Taxes for which the Company would be liable or (B) a closing agreement pursuant to Section 7121 of the Internal Revenue Code, or any predecessor provision thereof or any similar provision of state, local or foreign income tax law that relates to the assets or operations of the Company.

(v) Except as set forth on Schedule 3.01(p), the Company is not a party to any agreement providing for the allocation or sharing of liability for any Taxes.

(vi) The Company has made available to Parent complete and accurate copies of all income and franchise Tax Returns pertaining solely to the Company and all material other Tax Returns pertaining solely to the Company filed by or on behalf of the Company for the taxable years ending on or prior to July 31, 1996.

(vii) The Company is not a "U.S. real property holding corporation" (as defined in Section 897(c)(2) of the Internal Revenue Code), and neither the Company nor any stockholder of the Company is a non-resident alien individual, foreign corporation, foreign partnership, or foreign trust.

For purposes of this Agreement, "Taxes" shall mean all Federal, state, local, foreign or other taxing authority income, franchise, sales, use, ad valorem, property, payroll, social security, unemployment, assets, value added, withholding, excise, severance, transfer, employment, alternative or add-on minimum and other taxes, charges, fees, levies, imposts, duties or other assessments, together with any interest and any penalties, additions to tax or additional amounts imposed by any taxing authority.

(q) Compliance with Law; Permits. The Company is not in default in any material respect under any order or decree of any court, governmental authority, arbitrator or arbitration board or tribunal that is specifically binding on the Company or under any laws, ordinances, governmental rules or regulations to which the Company or any of its respective properties or assets is subject. Schedule 3.01(q) hereto sets forth a list of all material permits, authorizations, approvals, registrations, variances and licenses ("Permits") issued to or used by the Company in connection with the conduct of the Business; such Permits constitute all Permits necessary for the Company to own, use and maintain its properties and assets or required for the conduct of the Business in substantially the same manner as it is currently conducted. Each Permit listed on Schedule 3.01(q) is in full force and effect and no proceeding is pending or threatened to modify, suspend, revoke or otherwise limit any of such Permits and no administrative or governmental actions have been taken or threatened in connection with the expiration or renewal of any of such Permits. Except as set forth on Schedule 3.01(q), neither the Company nor Parent or Acquisition will be required, as a result of the consummation of the transactions contemplated hereby, to obtain or renew any Permits.

(r) Employee Benefit Plans.

(i) Schedule 3.01(r) hereto sets forth a complete and accurate list of each plan, program, arrangement, agreement or commitment that is an employment, consulting or deferred compensation agreement, or an executive compensation, incentive bonus or other bonus, employee pension, profit-sharing, savings, retirement, stock option, stock purchase, severance pay, life, health, disability or accident insurance plan, or vacation or other employee benefit plan, program, arrangement, agreement or commitment, including, without limitation, each employee benefit plan (as defined under Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") in which employees of the Company participate that is (i) maintained by the Company or any trade or business (whether or not incorporated) which, together with the Company, would be treated as a

single employer under Title IV of ERISA or Section 414 of the Internal Revenue Code (collectively, the "ERISA Affiliates") or (ii) to which any ERISA Affiliate contributes or has any obligation to contribute to, or has or may have any liability (including, without limitation, a liability arising out of an indemnification, guarantee, hold harmless or similar agreement) (collectively, the "Plans"). Each Plan is identified on Schedule 3.01(r), to the extent applicable, as one or more of the following: an "employee pension plan" (as defined in Section 3(2)(A) of ERISA), an "employee welfare plan" (as defined in Section 3(1) of ERISA), or as a plan intended to be qualified under Section 401 of the Internal Revenue Code.

(ii) The Plans have been, and currently are in compliance, in all material respects, with all laws and regulations applicable to the Plans under which noncompliance would have a Company Material Adverse Effect, including, without limitation, ERISA and the Internal Revenue Code.

(iii) Except as set forth on Schedule 3.01(r), no ERISA Affiliate has maintained, adopted or established, contributed to or been required to contribute to, or otherwise participated in or been required to participate in, any employee benefit plan or other program or arrangement subject to Title IV of ERISA (including, without limitation, a "multi-employer plan" (as defined in Section 3(37) of ERISA), a multiple employer plan (as defined in Section 210 of ERISA) and a defined benefit plan (as defined in Section 3(35) of ERISA)).

(iv) Except as set forth on Schedule 3.01(r), the Company neither provides nor may be required to provide and no Plan, other than a Plan that is an employee pension benefit plan (within the meaning of Section 3(2)(A) of ERISA), provides or may be required to provide benefits, including, without limitation, death, health or medical benefits (whether or not insured), with respect to current or former employees of the Company beyond their retirement or other termination of service with the Company (other than (A) coverage mandated by applicable law, (B) deferred compensation benefits accrued as liabilities on the books of the Company, or (C) benefits the full cost of which is borne by the current or former employee (or his or her beneficiary)). No ERISA Affiliate maintains any Plan under which any employee or former employee of the Company may receive medical benefits which cannot be modified or terminated by the ERISA Affiliates at any time without the consent of any

person, and no employees or former employees of the Company will have any claim in respect of such benefits as of the Effective Time.

(v) The transactions contemplated hereby will not result in (i) any portion of any amount paid or payable by the Company to a "disqualified individual" (within the meaning of Section 280G(c) of the Internal Revenue Code and the regulations promulgated thereunder), whether paid or payable in cash, securities of the Company or otherwise and whether considered alone or in conjunction with any other amount paid or payable to such a "disqualified individual," being an "excess parachute payment" within the meaning of Section 280G(b)(1) of the Internal Revenue Code and the regulations promulgated thereunder, (ii) any employee of the Company being entitled to severance pay, unemployment compensation (other than payments by state unemployment compensation program), or any other payment, (iii) an acceleration of the time of payment (other than eligibility for a distribution from a defined contribution plan) or vesting or an increase in the amount of compensation due to any such employee or former employee of the Company or (iv) any prohibited transaction described in Section 406 of ERISA or Section 4975 of the Internal Revenue Code for which an exemption is not available.

(vi) No ERISA Affiliates has incurred any material liability with respect to any Plan under ERISA (including, without limitation, Title I or Title IV thereof, other than liability for premiums due to the Pension Benefit Guaranty Corporation which are current if applicable), the Internal Revenue Code or other applicable law for which the Company may be held liable, which has not been satisfied in full or been accrued on the balance sheet of the Company as of July 31, 1996 pending full satisfaction, and no event has occurred, and there exists no condition or set of circumstances, which could result in the imposition of any material liability on the Company not set forth in or reserved in the Company's unaudited balance sheet at July 31, 1996 under ERISA, the Internal Revenue Code or other applicable law with respect to any Plan.

(vii) With respect to each Plan subject to Section 412 of the Internal Revenue Code that is funded wholly or partially through an insurance policy, all premiums required to have been paid to date under the insurance policy have been paid, and, except as set

forth on Schedule 3.01(r), as of the Effective Time there will be no liability of the Company under any such insurance policy or ancillary agreement with respect to such insurance policy in the nature of a retroactive rate adjustment, loss sharing arrangement or other actual or contingent liability arising wholly or partially out of events occurring prior to the Effective Time.

(viii) None of the ERISA Affiliates has made any contribution to any Plan that may be subject to any excise tax under Section 4972 of the Internal Revenue Code for which the Company may be held liable.

(s) Environmental Matters. The Company is in compliance in all material respects with all Federal, state or local statutes, ordinances, orders, judgments, rulings or regulations relating to environmental pollution or to environmental regulation or control. Except as set forth on Schedule 3.01(s) hereto, neither the Company nor any of its respective officers,

employees, representatives or agents has treated, stored, processed, discharged, spilled or otherwise disposed of any substance defined as hazardous or toxic by any applicable Federal, state or local law, rule, regulation, order or directive, or any waste or by-product thereof, at any real property or any other facility owned, leased or used by the Company, in material violation of any applicable statutes, regulations, ordinances or directives of any governmental authority or court, which violations may result in any material liability to the Company, taken as a whole. Except as set forth on Schedule 3.01(s), no employee of the Company or other person has ever made a claim or demand against the Company based on alleged damage to health caused by any such hazardous or toxic substance or by any waste or by-product thereof. Except as set forth on Schedule 3.01(s), the Company has not been charged by any governmental authority with improperly using, handling, storing, discharging or disposing of any such hazardous or toxic substance or waste or by-product thereof or with causing or permitting any pollution of any body of water. Except as set forth on Schedule 3.01(s), to the best knowledge of Holdings and the Company, the Fee or Leased Properties and the Business are not subject to any pending or threatened administrative or judicial proceeding under any environmental law and there are no facts or circumstances known to the Company which are reasonably likely to give rise to any proceeding. Except as set forth on Schedule 3.01(s), to the best knowledge of Holdings and the Company, there are no inactive, closed, or abandoned storage or disposal areas or facilities or underground storage tanks on the Fee or Leased Properties.

(t) Personal Property. The Company has provided Parent lists of (i) all of the tangible personal property used by the Company in its business having an original acquisition cost of $50,000 or more, and (ii) all leases of personal property binding upon the Company having an annual rental in excess of $25,000. All of such tangible personal property is presently utilized by the Company in the ordinary course of its business and is in good repair, ordinary wear and tear excepted.

(u) Contracts. Schedule 3.01(u) lists all contracts and arrangements of the following types to which the Company is a party or by which it is bound and which are material to the conduct of the Business or to the financial condition or results of operations of the Company, taken as a whole, including without limitation the following:

(i) any contract or arrangement with a sales representative, distributor, dealer, broker, sales agency, advertising agency or other person engaged in sales, distribution or promotional activities, or any contract to act as one of the foregoing on behalf of any person, which is not terminable by the Company on 30 or fewer days notice;

(ii) any contract or arrangement of any nature which involves the payment or receipt of cash or other property, an unperformed commitment, or goods or services, having a value in excess of $100,000;

(iii) any contract or arrangement pursuant to which the Company has made or will make loans or advances, or has or will have incurred indebtedness for borrowed money or become a guarantor or surety or pledged its credit on or otherwise become responsible with respect to any undertaking of another (except for the negotiation

or collection of negotiable instruments in transactions in the ordinary course of business) in excess of $50,000;

(iv) any indenture, credit agreement, loan agreement, note, mortgage, security agreement, lease of real property or personal property, loan commitment or other contract or arrangement relating to the borrowing of funds, an extension of credit or financing;

(v) any contract or arrangement involving a partnership, a limited liability company, a joint venture or other cooperative undertaking requiring a sharing of assets or technology of the Company;

(vi) any contract or arrangement involving any restrictions with respect to the geographical area of operations or scope or type of business of the Company;

(vii) any power of attorney or agency agreement or arrangement with any person pursuant to which such person is granted the authority to act for or on behalf of the Company, or the Company is granted the authority to act for or on behalf of any person;

(viii) any contract not fully performed and relating to any acquisition or disposition of the Company or any predecessor in interest of the Company, or any acquisition or disposition of any subsidiary, division, line of business, or real property of the Company;

(ix) any contract or arrangement with a customer or financial institution;

(x) all such contracts and arrangements between the Company and Holdings or its affiliates that are material to the operations of the Company; and

(xi) any contract not specified above which the cancellation, breach, or nonperformance of would constitute a Company Material Adverse Effect.

The Company has delivered to Parent complete and accurate copies of the contracts and agreements set forth on Schedule 3.01(u), and each such contract or agreement is a valid and subsisting agreement, without any material default of the Company thereunder and, to Holdings' and the Company's knowledge, without any material default thereunder of the other party thereto. Except as set forth on Schedule 3.01(u), the Company has not received notice of any cancellation or termination of, or of any threat to cancel or terminate, any of such contracts or agreements required to be listed on Schedule 3.01(u) where such cancellation or termination would have a Company Material Adverse Effect.

(v) Insurance.

(i) All policies of fire, liability, workers' compensation and other forms of insurance providing insurance coverage to or for the Company for events or occurrences arising or taking place in the case of occurrence type insurance, and for claims made and/or suits commenced in the case of claims-made type insurance, between the Effective Date of this Agreement and the Effective Time, are listed on Schedule 3.01(v) hereto, and, except as set forth on Schedule 3.01(v), all premiums with respect thereto have been paid, and no notice of cancellation or termination has been received with respect to any such policy. All such policies are in full force and effect, and, except as set forth on Schedule 3.01(v), provide insurance in such amounts and against such risks as Holdings and the Company believe are customary for companies engaged in similar businesses to protect the employees, properties, assets, businesses and operations of the Company. All such policies will remain in full force and effect and will not be adversely modified or affected by, or terminate or lapse by reason of, any of the transactions contemplated hereby, except by reason of an insurer's assessment of Parent or the conduct of the Business after the Effective Time.

(ii) The Company has provided Parent information concerning all claims, which (including related claims which in the aggregate) exceed $50,000 and which have been made by the Company in the last two years under any workers' compensation, general liability, property, directors' and officers' liability or other insurance policy applicable to the Company or any of its properties. Except as set forth in written materials provided by the Company to Parent, there are no pending or threatened claims under any insurance policy, the outcome of which would have a Company Material Adverse Effect.

(w) Pending Transactions. Except for this Agreement and the transactions contemplated hereby, the Company is not a party to or bound by any agreement, negotiation, discussion, commitment or undertaking with respect to a merger or consolidation with, or an acquisition of all or substantially all of the property and assets of, any other corporation or person or the sale, lease or exchange of all or substantially all of its properties and assets to any other person.

(x) Claims Against Officers and Directors. Except as set forth

on Schedule 3.01(x), to the knowledge of Holdings and the Company, there are no pending or threatened claims against any director, officer, employee or agent of the Company which could give rise to any claim for indemnification against the Company.

(y) Customers, Suppliers, Etc. The Company has provided Parent information concerning the 15 largest customers of the Company in terms of revenue to the Company ("Major Customers") and the 10 largest suppliers in terms of charges to the Company ("Major Suppliers") during the fiscal year ended July 31, 1996. Except to the extent set forth in Schedule 3.01(y), between July 31, 1996 and the Effective Date of this Agreement: (i) there has not been any material dispute between the Company and any Major Customer or Major Supplier; (ii) the Company did not receive notice from any Major Customer stating that such Major Customer intends to reduce its purchases from the Company; or (iii) the Company did not receive notice

from any Major Supplier stating that such Major Supplier intends to reduce its sale of goods or services to the Company.

(z) Improper and Other Payments. Except as set forth on Schedule 3.01(z), neither the Company nor, to the knowledge of Holdings and the Company, any director, officer, employee, agent or representative of the Company, nor any person acting on behalf of any of them, has (i) made, paid or received any bribes, kickbacks or other similar payments to or from any person, whether lawful or unlawful, (ii) made any unlawful contributions, directly or indirectly, to a domestic or foreign political party or candidate, or (iii) made any improper foreign payment (as defined in the Foreign Corrupt Practices Act).

(aa) Brokers. Except as set forth on Schedule 3.01(aa), the Company has not used any broker or finder in connection with the transactions contemplated hereby, and the Company has not nor will have any liability or otherwise suffer or incur any loss as a result of or in connection with any brokerage or finder's fee or other commission of any person retained by the Company or the sole stockholder of the Company in connection with any of the transactions contemplated by this Agreement.

(bb) Accounts Receivable and Advances. Except as disclosed on Schedule 3.01(bb), (i) each account receivable of the Company (collectively, the "Accounts Receivable") represents a sale made in the ordinary course of business other than to affiliates and which arose pursuant to an enforceable written contract for a bona fide sale of goods or for services performed, and the Company has performed all of its obligations to produce the goods or perform the services to which such Accounts Receivable relates, and (ii) no Account Receivable is subject to any claim for reduction, counterclaim, set-off, recoupment or other claim for credit, allowances or adjustments by the obligor thereof, in an amount individually or in the aggregate that would have a Company Material Adverse Effect.

(cc) OCC Examination. The Office of the Comptroller of the Currency ("OCC") has not notified the Company of, nor imposed upon the Company, any order, judgment, decree, injunction, stipulation, liability, obligation, violation, fine, penalty, or burden that has material and adverse financial consequences on the Company or its Business.

(dd) Accuracy of Statements. Neither this Agreement, the Holdings/Company Disclosure Letter, nor any schedule, exhibit, statement, list, document, certificate or other information furnished or to be furnished by or on behalf of the Company to Parent in connection with this Agreement, when read together, or any of the transactions contemplated hereby contains or will contain any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained herein or therein, in light of the circumstances in which they are made, not misleading.

SECTION 3.02 Representations and Warranties of Holdings. Except as set forth in the Holdings/Company Disclosure Letter, Holdings represents and warrants to Parent and Acquisition as follows:

(a) Organization and Qualification. Holdings is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware.

(b) Ownership. Holdings owns beneficially and of record 100% of the Company Common Stock, free and clear of any liens, claims, charges, restrictions, rights of others, security interests, prior assignments or other encumbrances.

(c) Authority Relative to Agreement. Holdings has all requisite corporate power and authority to execute and deliver this Agreement and to perform its obligations hereunder. The execution, delivery and performance of this Agreement by Holdings and the consummation by Holdings of the transactions contemplated hereby have been duly authorized by Holdings'

Board of Directors and no other corporate approvals or proceedings on the part of Holdings are necessary to authorize this Agreement and the transactions contemplated hereby. This Agreement has been duly executed and delivered by Holdings and constitutes the legal, valid and binding obligation of Holdings, enforceable against Holdings in accordance with its terms, subject to the effect, if any, of (a) applicable bankruptcy and other similar laws affecting the rights of creditors generally, (b) rules of law governing specific performance, injunctive relief and other equitable remedies, and (c) the limitations imposed by public policy on the enforceability of provisions requiring indemnification in connection with the offering, issuance or sale of securities. No approval of the holders of any class or series of Holdings' capital stock is necessary to approve this Agreement, the Merger and the transactions contemplated hereby and thereby.

(d) Non-Contravention. The execution and delivery of this Agreement by Holdings and the consummation by Holdings of the transactions contemplated hereby will not (i) violate or conflict with any provision of the Certificate of Incorporation or By-Laws of Holdings or (ii) except as set forth on Schedule 3.02(d) hereof, result in any violation of, conflict with, or default (or an event which with notice or lapse of time or both would constitute a default) or loss of a benefit under, or permit the termination of or the acceleration of any obligation under, any mortgage, indenture, lease, agreement or other instrument, permit, concession, grant, franchise, license, judgment, order, decree, statute, law, ordinance, rule or regulation applicable to the Company's Business as conducted by the Company or the Company's properties, or (iii) result in the creation or imposition of any Claim in favor of any third person or entity upon any of the assets of the Company or the Company's Business, other than any such violation, conflict, default, loss, termination or acceleration that would not have a Company Material Adverse Effect.

(e) Consents. Except as set forth on Schedule 3.02(e), no consent, approval, order or authorization of, or registration, declaration or filing with, any Federal, state, local or foreign governmental or regulatory authority is required to be made or obtained by Holdings or any of its subsidiaries in connection with the execution and delivery of this Agreement by Holdings or the consummation by Holdings of the transactions contemplated hereby, except for (i) compliance by Holdings with the HSR Act, (ii) filing with the SEC of such reports, schedules, and information under Securities Act of 1933, as amended (the "Securities Act"), the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations promulgated by the SEC thereunder, as may be required to be filed by Holdings in connection with this Agreement, the Merger, and other transactions contemplated hereby, (iii) the filing of a certificate of merger with the Secretary of State of the State of Delaware in accordance with the Delaware GCL, and (iv) such consents, approvals, orders or authorizations which if not obtained,

or registrations, declarations or filings which if not made, would not materially adversely affect the ability of Holdings to consummate the transactions contemplated hereby and thereby.

(f) Certain Information. Provided that Parent allows Holdings and the Company to modify any information regarding Holdings or the Company contained therein, none of the information supplied by Holdings for inclusion in the Registration Statement or the Proxy Statement/Prospectus will, at the respective times such documents or any amendments or supplements thereto are filed with the SEC, contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that no representation is made by Holdings with respect to information supplied by Parent which relates to the Parent or any affiliate or associate of Parent for inclusion in the Registration Statement or the Proxy Statement/Prospectus. Provided that Parent allows Holdings and the Company to modify any information regarding Holdings or the Company contained therein, none of the information relating to Holdings and its subsidiaries included in the Registration Statement or the Proxy Statement/Prospectus that has been supplied by Holdings or its subsidiaries will, at the time the Proxy Statement/Prospectus is distributed to the Company's and/or Parent's stockholders, be false or misleading with respect to any material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(g) Brokers. Except as set forth on Schedule 3.02(h), neither Holdings nor any of its subsidiaries has used any broker or finder in connection with the transactions contemplated hereby, and neither Holdings nor any of its subsidiaries has or shall have any liability or otherwise suffer or incur any loss as a result of or in connection with any brokerage or finder's fee or other commission of any person retained by Holdings, any of its subsidiaries, or the stockholders of Holdings in connection with any of the transactions contemplated by this Agreement.

(h) Accuracy of Statements. Neither this Agreement nor any schedule, exhibit, statement, list, document, certificate or other information furnished or to be furnished by or on behalf of Holdings to Parent in connection

with this Agreement or any of the transactions contemplated hereby contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statements contained herein or therein, in light of the circumstances in which they are made, not misleading.

SECTION 3.03 Representations and Warranties of Parent. Except as set forth in the Parent Disclosure Letter dated of even date herewith, Parent represents and warrants to Holdings and the Company as follows:

(a) Organization and Qualification. Parent is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has all requisite corporate power and authority to own or lease and operate its properties and assets and to carry on its business as it is now being conducted. Parent is duly qualified as a foreign corporation to do business, and is in good standing, in each jurisdiction in which the character of its properties owned or leased or the nature of its activities makes such qualification necessary, except where the failure to be so qualified would not have a Parent Material Adverse Effect (as

hereinafter defined). As used in this Agreement, the term "Parent Material Adverse Effect" shall mean a material adverse effect on the properties, assets, financial condition, operating results or business of Parent, taken as a whole; provided, however, that the term "Parent Material Adverse Effect" shall not include any such material adverse effect arising or resulting, directly or indirectly, from industry conditions or the public announcement of, or the response or reaction of customers, vendors, licensors, investors, Parent employees or others to, this Agreement, the Merger, or any of the agreements or transactions contemplated by this Agreement or entered into in connection with this Agreement or the Merger.

(b) Subsidiaries. Schedule 3.03(b) includes a complete and accurate list of each subsidiary of the Parent, indicating the jurisdiction of incorporation and the nature and level of ownership in such subsidiary by the Parent, any subsidiary of the Parent and any other person. Complete and correct copies of the certificate of incorporation and by-laws of the Parent and of each subsidiary of the Parent have previously been delivered to the Company. Except as set forth on Schedule 3.03(b) hereto, neither the Parent nor any of its subsidiaries owns of record or beneficially, directly or indirectly, (i) any shares of outstanding capital stock or securities convertible into capital stock of any other corporation or (ii) any participating interest in any partnership, joint venture or other noncorporate business enterprise. Each subsidiary of the Parent is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation and has all requisite corporate power and authority to own or lease and operate its properties and assets and to carry on its business as it is now being conducted. Each subsidiary of the Parent is duly qualified as a foreign corporation to do business, and is in good standing, in each jurisdiction in which the character of its properties owned or leased or the nature of its activities makes such qualification necessary, except where the failure to be so qualified would not have a Parent Material Adverse Effect. All the outstanding shares of capital stock of the Parent's subsidiaries are duly authorized, validly issued, fully paid and nonassessable and, except as set forth on Schedule 3.03(b), are owned by the Parent or by a wholly owned subsidiary of the Parent free and clear of any Claims, and there are no proxies or voting or transfer agreements or understandings outstanding with respect to any such shares. Without limiting the foregoing representations and warranties, Parent owns beneficially of record all of the issued and outstanding shares of the capital stock of Acquisition free and clear of all Claims.

For purposes of this Agreement, the term "subsidiary," when used with respect to the Parent, shall mean any corporation or other business entity a majority of whose outstanding equity securities is at the time owned, directly or indirectly, by the Parent and/or one or more other subsidiaries of the Parent.

(c) Capitalization. The authorized capital stock of Parent consists of 150,000,000 shares of Parent Common Stock and 15,000,000 shares of Parent Preferred Stock, and, as of August 31, 1996, 41,669,035 shares of Parent Common Stock were issued and outstanding, all of which were duly authorized and validly issued and are fully paid and nonassessable, and no shares of Parent Preferred Stock were issued and outstanding. As of August 31, 1996, Parent had outstanding options to purchase up to a total of 3,387,803 shares of Parent Common Stock. Except as provided in the immediately preceding sentence or in Schedule 3.03(c) hereto, Parent has, no subscription, warrant, option, convertible security, stock appreciation or other right (contingent or other) to purchase or acquire any shares of any class of capital stock of Parent that is authorized or outstanding and there is not any commitment of

Parent to issue any shares, warrants, options or other such rights or to distribute to holders of any class of its capital stock any evidences of indebtedness or assets. Except as disclosed in Schedule 3.03, Parent does not

have any obligation (contingent or other) to purchase, redeem or otherwise acquire any shares of its capital stock or any interest therein or to pay any dividend or make any other distribution in respect thereof.

(d) Authority Relative to Agreements. Parent has all requisite corporate power and authority to enter into this Agreement and to perform its obligations hereunder. The execution and delivery of this Agreement by Parent and the consummation by Parent of the transactions contemplated hereby have been duly authorized by the Board of Directors of Parent, and except for approval by the stockholders of Parent, no other corporate approvals or proceedings on the part of Parent are necessary to authorize this Agreement and the transactions contemplated hereby. This Agreement has been duly executed and delivered by Parent and constitutes the legal, valid and binding obligation of Parent, enforceable against Parent in accordance with its terms, subject to the effect, if any, of (a) applicable bankruptcy and other similar laws affecting the rights of creditors generally, (b) rules of law governing specific performance, injunctive relief and other equitable remedies, and (c) the limitations imposed by public policy on the enforceability of provisions requiring indemnification in connection with the offering, issuance or sale of securities. The Parent's Board of Directors has by the requisite vote of its Board of Directors present (i) determined that this Agreement and the Merger is advisable and fair and in the best interests of the Parent and its stockholders, and (ii) resolved to recommend the approval of this Agreement and the Merger by the Parent's stockholders and directed that the Merger be submitted for consideration by such stockholders. The affirmative vote of the holders of a majority of the outstanding Parent Common Stock is the only vote of the holders of any class or series of the Parent's capital stock necessary to approve this Agreement, the Merger, and the transactions contemplated hereby and thereby.

(e) Non-Contravention. The execution and delivery of this Agreement by Parent and the consummation by Parent of the transactions contemplated hereby will not (i) violate or conflict with any provision of the Certificate of Incorporation or By-Laws of Parent, (ii) result in any violation of, conflict with, or default (or an event which with notice or lapse of time or both would constitute a default) or loss of a benefit under, or permit the termination of or the acceleration of any obligation under, any material mortgage, indenture, lease, agreement or other instrument to which Parent is a party or by which its assets are bound, permit, concession, grant, franchise, license, judgment, order, decree, statute, law, ordinance, rule or regulation applicable to Parent or any of its subsidiaries or their respective properties, or (iii) result in the creation or imposition of any Claim in favor of any third person or entity upon any of the assets of Parent or any of its subsidiaries, other than any such violation, conflict, default, loss, termination or acceleration that would not have a Parent Material Adverse Effect or adversely affect the ability of Parent to consummate the Merger or any other transaction contemplated hereby.

(f) Consents. No consent, approval, order or authorization of, or registration, declaration or filing with, any Federal, state, local or foreign governmental or regulatory authority is required to be made or obtained by Parent in connection with the execution and delivery of this Agreement by Parent or the consummation by Parent of the transactions contemplated hereby, except for (i) compliance by Parent with the HSR Act, (ii) filings pursuant

to the Securities Act as contemplated by Section 4.02 hereof, (iii) the filing of a certificate of merger with the Secretary of State of the State of Delaware in accordance with the Delaware GCL, (iv) any licenses, permits, franchises or other governmental authorizations pertaining to the Business that are required as a result of the consummation of the transactions contemplated hereby, (v) the consents described in Schedule 3.03(f), and (vi) such consents, approvals, orders or authorizations which if not obtained, or registrations, declarations or filings which if not made, would not have a Parent Material Adverse Effect or materially adversely affect the ability of Parent to consummate the transactions contemplated hereby or to conduct the Business after the Effective Time.

(g) SEC Filings. Parent has filed all forms, reports and documents required to be filed with the SEC since September 28, 1995, and Parent has made available to the Company, as filed with the SEC, complete and accurate copies of all reports, statements and registration statements (including Current Reports on Form 8-K) filed by Parent with the SEC since September 28, 1995, in each case including all amendments and supplements (collectively, the "Parent SEC Filings"). The Parent SEC Filings (including, without limitation, any financial statements or schedules included therein) (i) were prepared in compliance with the requirements of the Securities Act or Exchange Act, as the case may be, and (ii) did not at the time of filing (or if amended, supplemented or superseded by a filing prior to the date hereof, on the date of that filing) contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

The financial statements of Parent included in the Parent SEC Filings have been prepared in accordance with generally accepted accounting

principles ("GAAP") consistently applied and consistent with prior periods indicated (except as otherwise noted therein or, in the case of unaudited statements, as permitted by Form 10-Q of the SEC) and fairly present (subject, in the case of unaudited statements, to normal, recurring year-end adjustments and any other adjustments described therein) the consolidated financial position of Parent and its consolidated subsidiaries as at the dates thereof and the consolidated results of operations and cash flows of Parent and its consolidated subsidiaries for the periods then ended. Since June 30, 1996, there has been no change in any of the significant accounting (including tax accounting) policies, practices or procedures of the Parent or any of its subsidiaries. Except for liabilities or obligations that are accrued or reserved against in Parent's financial statements included in the Parent SEC Reports neither of Parent or its subsidiaries has any liabilities or obligations (whether absolute, accrued, contingent or otherwise, and whether due or to become due) that would be required by GAAP to be reflected on a consolidated balance sheet, or the notes thereto, or which would have a Parent Material Adverse Affect.

(h) Absence of Certain Changes or Events. Except as set forth in the Parent SEC Filings made through the date hereof, (i) Parent has not conducted its business and operations other than in the ordinary course of business and consistent with past practices or taken any of the actions set forth in Section 4.02 hereof and (ii) there has not been any fact, event, circumstance or change affecting or relating to Parent or its subsidiaries that has caused or is reasonably likely to cause a Material Adverse Change in Parent's financial condition, properties, assets, liabilities, business, operations, or results of operations. As used with reference Parent, the term "Material Adverse Change" refers to a material adverse change other

than a change arising or resulting, directly or indirectly, from industry conditions or the public announcement of, or the response or reaction of customers, vendors, licensors, investors, Parent employees or others to, this Agreement, the Merger, or any of the agreements or transactions contemplated by this Agreement or entered into in connection with this Agreement of the Merger.

(i) Certain Information. None of the information supplied by Parent or Acquisition for inclusion in the Registration Statement or the Proxy Statement/Prospectus (as defined in Section 4.02 hereof) will, at the respective times such documents or any amendments or supplements thereto are filed with the SEC, contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except no representation is made by Parent or Acquisition with respect to information supplied by the Company which relates to the Company or any affiliate or associate of the Company for inclusion in the Registration Statement or the Proxy Statement/Prospectus. None of the information relating to Parent included in the Registration Statement or the Proxy Statement/Prospectus that has been supplied by Parent will, at the time the Proxy Statement/Prospectus is distributed to the Company's and/or Parent's stockholders, be false or misleading with respect to any material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(j) Registration Rights. Except as set forth on Schedule 3.03(j) and except as otherwise provided for in this Agreement, Parent is not a party to any agreement obligating or requiring it to register under the Securities Act any Parent Common Stock or other security of Parent.

(k) Brokers. Except as set forth on Schedule 3.03(k), neither Parent nor any of its subsidiaries has used any broker or finder in connection with the transactions contemplated hereby, and neither Parent nor any of its subsidiaries has or shall have any liability or otherwise suffer or incur any loss as a result of or in connection with any brokerage or finder's fee or other commission of any person retained by Parent or any of its subsidiaries in connection with any of the transactions contemplated by this Agreement.

(l) Title to Properties. Parent has good and valid title to the properties and assets reflected on the audited balance sheet of Parent as of June 30, 1996 other than nonmaterial properties and assets disposed of in the ordinary course of business consistent with past practice since the date of such balance sheet, and all such properties and assets are free and clear of Claims, except (i) as described in the Parent SEC Filings, (ii) liens for current taxes not yet due, and (iii) minor imperfections of title, if any, not material in amount and not materially detracting from the value or impairing the use of the property subject thereto or impairing the operations or proposed operations of the Company (collectively, "Permitted Liens"). Such properties and assets constitute all of the assets necessary to conduct Parent's business substantially in the same manner as it has been conducted prior to the date hereof.

(m) Intellectual Property Rights. The patents, trademarks and trade names, trademark and trade name registrations, service mark, brand mark and brand name registrations, copyrights, inventions, know-how, trade secrets,

proprietary processes and information, software

source and object code, the applications therefor and the licenses with respect thereto (collectively, "Intellectual Property Rights") currently owned by, or licensed to, Parent and its subsidiaries hereto constitute all material proprietary rights owned or held by Parent or its subsidiaries that are necessary to the conduct of Parent's business as currently conducted. Except as set forth in the Parent SEC Filings, Parent and its subsidiaries conduct their business without any known infringement or claim of infringement of any Intellectual Property Right of others; (ii) to the knowledge of Parent, no person is challenging, infringing, misappropriating or otherwise violating any such Intellectual Property Rights or claiming that the conduct by Parent of its business, infringes, misappropriates or otherwise violates the Intellectual Property Rights of any third party; (iii) none of the Intellectual Property Rights currently used by Parent is the subject of any outstanding order, ruling, decree, judgment or stipulation specifically binding on Parent; (v) to the knowledge of Parent, none of the activities of any employee of Parent or its subsidiaries on behalf thereof violates any obligations of such employee to third parties, including, without limitation, confidentiality or noncompetition obligations under agreements with a former employer; (vi) Parent is not aware of any unauthorized use by a third party of any computer software programs or applications that Parent considers to be a trade secret belonging to the Company; (vii) Parent has taken and is taking reasonable precautions to protect all material trade secrets and other confidential information relating to its proprietary computer software programs and applications or included in the Intellectual Property Rights that are material to the conduct of its business; and (viii) the execution, delivery, and performance of this Agreement and the consummation of the Merger will not constitute a breach or default of any Intellectual Property Rights that are material to the conduct of Parent's business.

(n) Environmental Matters. Parent and its subsidiaries are in compliance in all material respects with all Federal, state or local statutes, ordinances, orders, judgments, rulings or regulations relating to environmental pollution or to environmental regulation or control. Parent has not been charged by any governmental authority with improperly using, handling, storing, discharging or disposing of any such hazardous or toxic substance or waste or by-product thereof or with causing or permitting any pollution of any body of water. To the best knowledge of Parent no properties or facilities used by Parent or its subsidiaries are subject to any pending or threatened administrative or judicial proceeding under any environmental law and there are no facts or circumstances known to Parent which are reasonably likely to give rise to any proceeding. To the best knowledge of Parent, there are no inactive, closed, or abandoned storage or disposal areas or facilities or underground storage tanks on the properties or facilities used by Parent or its subsidiaries.

(o) Insurance. All policies of fire, liability, workers' compensation and other forms of insurance providing insurance coverage to or for Parent are in full force and effect, and provide insurance in such amounts and against such risks as Parent believes are customary for companies engaged in similar businesses to protect the employees, properties, assets, businesses and operations of Parent and its subsidiaries. All such policies will remain in full force and effect and will not be adversely modified or affected by, or terminate or lapse by reason of, any of the transactions contemplated hereby, except by reason of an insurer's assessment of Parent or the conduct of the Business after the Effective Time.

(p) Pending Transactions. Except for this Agreement and the transactions contemplated hereby, Parent is not a party to or bound by any agreement, negotiation, discussion,

commitment or undertaking with respect to a merger or consolidation with, or an acquisition of all or substantially all of the property and assets of, any other corporation or person or the sale, lease or exchange of all or substantially all of its properties and assets to any other person.

(q) Claims Against Officers and Directors. To the knowledge of Parent, there are no pending or threatened claims against any director, officer, employee or agent of the Company which could give rise to any claim for indemnification against the Company.

SECTION 3.04 Representations and Warranties of Acquisition. Acquisition represents and warrants to Holdings and the Company as follows:

(a) Organization and Qualification. Acquisition is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has all requisite corporate power and authority to own or lease and operate its properties and assets and to carry on its business as it is now being conducted. Acquisition is duly qualified as a foreign corporation to do business, and is in good standing, in each jurisdiction in

which the character of its properties owned or leased or the nature of its activities makes such qualification necessary, except where the failure to be so qualified would not have a material adverse effect on the financial condition, operating results or business of Acquisition.

(b) Capitalization. The authorized capital stock of Acquisition consists of 3,000 shares of Common Stock, $.01 par value. As of the date hereof, 100 shares of Common Stock are issued and outstanding, all of which were duly authorized and validly issued and are fully paid and nonassessable, and all such shares are owned of record and beneficially by Parent free of all Claims, and no shares of Common Stock are held in the treasury of Acquisition. Acquisition has no commitments to issue or sell any shares of its capital stock or any securities or obligations convertible into or exchangeable for, or giving any person any right to subscribe for or acquire from Acquisition, any shares of its capital stock, and no securities or obligations evidencing any such rights are outstanding.

(c) Authority Relative to Agreement. Acquisition has all requisite corporate power and authority to enter into this Agreement and to perform its obligations hereunder. The execution and delivery of this Agreement by Acquisition and the consummation by Acquisition of the transactions contemplated hereby have been duly authorized by the Board of Directors of Acquisition and by Parent as its sole stockholder, and no other corporate approvals or proceedings on the part of Acquisition are necessary to authorize this Agreement and the transactions contemplated hereby. This Agreement has been duly executed and delivered by Acquisition and constitutes the legal, valid and binding obligation of Acquisition, enforceable against Acquisition in accordance with its terms subject to the effect, if any, of (a) applicable bankruptcy and other similar laws affecting the rights of creditors generally, (b) rules of law governing specific performance, injunctive relief and other equitable remedies, and (c) the limitations imposed by public policy on the enforceability of provisions requiring indemnification in connection with the offering, issuance or sale of securities.

(d) Non-Contravention. The execution and delivery of this Agreement by Acquisition and the consummation by Acquisition of the transactions contemplated hereby will not (i) violate or conflict with any provision of the Certificate of Incorporation or By-Laws of Acquisition or (ii) result in any violation of, conflict with, or default (or an event which with

notice or lapse of time or both would constitute a default) or loss of a benefit under, or permit the termination of or the acceleration of any obligation under, any material mortgage, indenture, lease, agreement, license, judgment, order, decree, statute, law, ordinance, rule or regulation applicable to Acquisition or its properties.

(e) Consents. No consent, approval, order or authorization of, or registration, declaration or filing with, any Federal, state, local or foreign governmental or regulatory authority is required to be made or obtained by Acquisition in connection with the execution and delivery of this Agreement by Acquisition or the consummation by Acquisition of the transactions contemplated hereby, except for (i) compliance by Acquisition with the HSR Act, (ii) the filing of a certificate of merger with the Secretary of State of the State of Delaware in accordance with the Delaware GCL, and (iii) any licenses, permits, franchises or other governmental authorizations pertaining to the Business that are required as a result of the consummation of the transactions contemplated hereby.

(f) Other Matters. Acquisition has been formed for the sole purpose of effecting the Merger and, except as contemplated by this Agreement, Acquisition has not conducted any business activities and does not have any material liabilities or obligations.

ARTICLE IV

COVENANTS

SECTION 4.01 Conduct of the Company's Business. The Company covenants and agrees that, prior to the Effective Time, unless Parent shall otherwise consent in writing and except as otherwise expressly contemplated by this Agreement or by any other contract or agreement that the Company may enter into with Parent and/or Holdings:

(a) the business of the Company shall be conducted only in, and the Company shall not take any action except in, the ordinary course of business consistent with past practice and the Company shall use its best efforts to preserve intact its present business organization, keep available the services of its current officers and employees, maintain its assets (other than those permitted to be disposed of hereunder) in good repair and condition, maintain its books of account and records in the usual, regular and ordinary manner and preserve its goodwill and ongoing business;

(b) the Company shall not directly or indirectly do any of the following: (i) issue, sell, pledge, dispose of or encumber any property or assets (including Intellectual Property Rights) of the Company, except inventory and immaterial assets in the ordinary course of business consistent with past practice; (ii) amend or propose to amend its Certificate of Incorporation or By-Laws; (iii) split, combine or reclassify any outstanding shares of its capital stock, or declare, set aside or pay any dividend payable in cash, stock, property or otherwise with respect to such shares (except for any dividends paid in the ordinary course to the Company); (iv) redeem, purchase, acquire or offer to acquire (or permit any of its subsidiaries to redeem, purchase, acquire or offer to acquire) any shares of its capital stock; (v) incorporate or otherwise form or create any subsidiary; (vi) materially change the Company's equipment or technology; or (vii) enter into any

contract, agreement, commitment or arrangement with respect to any of the matters set forth in this paragraph (b);

(c) the Company shall not (i) issue, sell, pledge or dispose of, or agree to issue, sell, pledge or dispose of, any additional shares of, or securities convertible or exchangeable for, or any options, warrants or rights of any kind to acquire any shares of, its capital stock of any class or other property or assets; (ii) acquire (by merger, consolidation or acquisition of stock or assets) any corporation, partnership or other business organization or division thereof or any material amount of assets; (iii) incur or guarantee any indebtedness for borrowed money other than in the ordinary course of business and consistent with past practices, or refinance any such indebtedness or issue or sell any debt securities; (iv) enter into or modify any material contract, lease, agreement or commitment, or permit or perform any act that would cause a material breach of any such contract, lease, agreement or commitment; (v) terminate, modify, assign, waive, release or relinquish any material contract rights or amend any material rights or claims; (vi) discharge or satisfy any material claim or settle or compromise any material claim, action, suit or proceeding pending or threatened against the Company (or, if the Company may be liable or obligated to provide indemnification to its directors or officers), against the Company's directors or officers, before any court, governmental agency or arbitrator; (vii) make any loans, advances or capital contributions to or investments in, any other person, except as may be required under agreements in effect as of and identified on Schedule 3.01(u) hereto and upon prior notice to Parent; (viii) alter through merger, liquidation, reorganization, restructuring or in any other manner the corporate structure or ownership of the Company; (ix) violate or fail to perform, in any material respect, any obligation imposed upon the Company by any applicable laws, orders or decrees, ordinances, government rules or regulations or conciliation agreements; or (x) to the extent not described herein, take any action described in Section 3.01(h) hereof;

(d) the Company shall not grant any increase in the salary or other compensation of its directors, officers or employees, except reasonable salary increases for employees or executive officers of the Company, in the ordinary course of business consistent with past practice, or grant any bonus to any employee or enter into any employment agreement or make any loan to or enter into any material transaction of any other nature with any employee of the Company;

(e) the Company shall not take any action to institute any new severance or termination pay practices with respect to any directors, officers or employees of the Company or to increase the benefits payable under its severance or termination pay practices;

(f) the Company shall not adopt or amend, in any material respect, any plan for the benefit or welfare of any directors, officers or employees of the Company, except as contemplated hereby or as may be required by applicable law or regulation;

(g) the Company shall use its best efforts, to the extent not prohibited by the foregoing provisions of this Section 4.01, to maintain its relationships with its suppliers and customers, clients, and others having business dealings with it, and if and as

requested by Parent or Acquisition, (i) the Company shall use its best efforts to make reasonable arrangements for representatives of Parent or Acquisition to meet with customers and suppliers of the Company, and (ii) the Company shall schedule, and the management of the Company shall participate in, meetings of representatives of Parent or Acquisition with employees of the Company for purposes of dealing with the transition issues related to the Merger;

(h) the Company shall provide to Parent a draft of any Federal income Tax return pertaining only to the Company or material state, local or foreign Tax return (other than state or local sales and use taxes) pertaining only to the Company required to be filed on behalf of the Company between the Effective Date of this Agreement and the Effective Time at least 15 days prior to the date on which such return is due; and

(i) the Company shall respond to inquiries of and shall consult with Parent as to the management, Business, and affairs of the Company; provided, however, that the final decisions as to the conduct of the management, Business, and affairs of the Company shall remain with the Company.

SECTION 4.02 Registration Statement; Stockholder Approval; Etc.

(a) Parent, Holdings, and the Company shall, in consultation with each other, prepare a joint proxy statement pertaining to the Merger and containing the recommendation of the Board of Directors of each of Parent and the Company to approve and adopt this Agreement and the Merger as promptly as reasonably practicable after the date hereof. The Company's proxy or information statement shall also constitute the prospectus included in the Registration Statement to be filed by Parent pursuant to Section 4.02(b) hereof (the "Proxy Statement/Prospectus"). Parent, Holdings, and the Company shall cooperate fully with each other in the preparation of the Proxy Statement/Prospectus and any amendments and supplements thereto, and Parent, Holdings, and the Company will provide any audited and unaudited financial statements that may be required by the applicable rules of the Securities and Exchange Commission or otherwise to be included in the Proxy Statement/Prospectus. The Proxy Statement/Prospectus shall not be distributed, and no amendment or supplement thereto shall be made by Parent, Holdings, or the Company, without the prior consent of any other party and its counsel. Each of Parent and the Company shall cause a definitive Proxy Statement/Prospectus to be distributed to its stockholders entitled to vote upon the Merger promptly following the effective date of the Registration Statement.

(b) (i) As promptly as reasonably practicable after the date hereof, Parent shall prepare and file with the SEC under the Exchange Act and the Securities Act, a Registration Statement on Form S-4 (the "Registration Statement") with respect to the approval of the Merger and the issuance of the shares of Parent Common Stock to be issued in the Merger, and shall use its best efforts to have the Proxy Statement and Registration Statement declared effective by the SEC as promptly as practicable. Parent shall also take any action required to be taken under state blue sky or other securities laws in connection with the issuance of shares of Parent Common Stock in the Merger.

(ii) As soon as reasonably practicable after the effective date of the Registration Statement, Parent shall take all action necessary, subject to and in accordance with the Delaware GCL and its Certificate of Incorporation and By-Laws, to obtain the requisite approval and adoption of this Agreement and the Merger by the Parent's stockholders at a duly called meeting pursuant to the Delaware GCL and shall take such other actions as may be required by applicable law and the applicable rules of the Nasdaq NM. The Board of Directors of the Parent has determined that the Merger is advisable and in the best interests of the stockholders of the Parent and shall recommend that Parent's stockholders vote to approve and adopt this Agreement and the Merger and any other matters to be submitted to Parent's stockholders in connection therewith.

(iii) Holdings and the Company shall cooperate fully with Parent in the preparation of the Proxy Statement/Prospectus and the Registration Statement and any amendments and supplements thereto and shall furnish Parent with all information and shall take such other action as Parent may reasonably request in connection therewith. Holdings and the Company shall provide Parent with all pro forma financial information required by Regulation S-X to be included in the Registration Statement or in any other filing that is required to be made by Parent pursuant to the Securities Act or the Exchange Act in connection with the Merger. All such pro forma financial information shall be prepared in accordance with Regulation S-X and shall not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

(c) As soon as reasonably practicable after the effective date of the Registration Statement, the Company and Parent shall take all action necessary, subject to and in accordance with the Delaware GCL and its Certificate of Incorporation and By-Laws, to obtain the requisite approval and adoption of this Agreement and the Merger by their respective stockholders at a duly called meeting or by written consents pursuant to Section 228 of the Delaware GCL and shall take such other actions as may be required by applicable law. The Board of Directors of the Company and Parent have each determined that the Merger is advisable and in the best interests of their respective

stockholders and shall recommend that their respective stockholders vote to approve and adopt this Agreement and the Merger and any other matters to be submitted to such stockholders in connection therewith.

(d) Parent shall notify Holdings and the Company of the receipt of any comments of the SEC with respect to (and of any requests by the SEC for amendments or supplements to) the Proxy Statement/Prospectus or the Registration Statement, or for additional information within 24 hours after receipt thereof from the SEC, and shall promptly supply Holdings and the Company with copies of all correspondence between Parent (or its representatives) and the SEC (or its staff) with respect thereto within 24 hours after receipt thereof from the SEC. If, at any time prior to the approval of the Merger by Parent's or the Company's stockholders, any event should occur relating to or affecting Holdings, the Company, Parent or Acquisition, or to their respective officers or directors, which event should be described in an amendment or supplement to the Proxy Statement/Prospectus or the Registration Statement, the parties shall promptly inform one another and shall cooperate in promptly preparing, filing and clearing with the SEC and, if required by applicable securities laws, distributing to Parent's or the Company's stockholders, such amendment or supplement.

(e) Parent shall cause the Parent Common Stock to be issued in the Merger, to be listed on the Nasdaq NM, subject to official notice of issuance.

SECTION 4.03 Access to Information.

(a) Each of Parent, Holdings, and the Company shall, and shall cause its respective subsidiaries, officers, directors, employees, representatives, advisors and agents to, afford, from the date hereof to the Effective Time, the officers, employees, representatives, advisors and agents of the other party complete access at all reasonable times to its officers, employees, agents, properties, books, records and workpapers, and shall furnish each other party all financial, operating and other information and data as Parent, Holdings, or Company, through its officers, employees or agents, may reasonably request and shall promptly furnish to the other monthly operating and financial reports in such form as Parent, Holdings, or the Company shall reasonably request. For each calendar month that ends between August 1, 1996 through the Closing Date, the Company will within thirty days after the end of such month prepare and deliver to Parent unaudited monthly balance sheets and statements of operations for the Company, that shall fairly present the financial condition and the results of operations of the Company in all material respects.

(b) The Company, at least three business days prior to the Effective Time, shall deliver to Parent a list setting forth the names and locations of each bank or other financial institution at which the Company has an account (giving the account numbers) or safe deposit box and the names of all persons authorized to draw thereon or have access thereto, and the names of all persons, if any, now holding powers of attorney or comparable delegation of authority from the Company and a summary statement thereof.

(c) Each of Parent, Holdings, and the Company shall, and shall cause its respective officers, directors, employees, representatives, advisors and agents to, afford the officers, employees, representatives, advisors and agents of the other party with access to such information concerning Parent or the Company as may be necessary for each party to ascertain the accuracy and completeness of the information supplied by Parent, Holdings, or the Company for inclusion in any pre-merger notification report filed under the HSR Act (and any additional information or documentary material supplied in response to any request pursuant to Section 7A(e) of the HSR Act and the regulations thereunder) or in the Proxy Statement/Prospectus.

(d) If this Agreement is terminated, each of the parties hereto shall, and shall cause its officers, employees, representatives, advisors and agents to, destroy or return to the other party all confidential documents, work papers and other materials, and all copies thereof, obtained by it or on its behalf from such other party as a result of this Agreement or in connection herewith, whether so obtained before or after the execution and delivery hereof.

(e) Each of the parties hereto and its officers and employees shall not disclose or use any information so obtained, except as required by applicable law or legal process or by any applicable rules or regulations of a national securities exchange or the NASD upon the advice of counsel, without the prior written consent of the other party; provided that any such information may be disclosed to a party's financial advisors, accountants, counsel and other representatives, as may be appropriate or required in connection with the transactions contemplated hereby, but only if such persons shall be specifically informed by such party of the confidential nature of such information and agree to comply with the restrictions contained herein. The agreements contained in this Section 4.03(e) do not apply to information that (i) is or becomes

generally available to the public other than as a result of a disclosure by a receiving party or its representatives, (ii) can be demonstrated to have been known to the receiving party on a non-confidential basis prior to its receipt, (iii) becomes available to a party on a non-confidential basis from a source not bound by any duty of confidentiality to the other party or (iv) is independently developed by a receiving party without reference to any confidential information.

If any party or any of its respective representatives becomes required by law (by deposition, interrogatory, request for documents, subpoena, civil investigative demand, or similar process) or otherwise become required to disclose any confidential information or material the recipient party will provide the disclosing party with prompt prior written notice of such requirement so that the disclosing party may seek a protective order or other remedy, or waive compliance with the terms of this Agreement. If such protective order or other remedy is not obtained, or if the disclosing party is required to waive compliance with the provisions hereof, the recipient party will furnish only that portion of the confidential information or material which it is advised by written opinion of counsel is legally required and exercise all reasonable efforts to obtain assurance that confidential treatment, if available, will be accorded such confidential information or material.

(f) No investigation pursuant to this Section 4.03 shall affect, add to, or subtract from any representations or warranties of the parties hereto or the conditions to the obligations of the parties hereto to effect the Merger.

SECTION 4.04 Further Assurances. Subject to the terms and conditions herein provided, each of the parties hereto agrees to use its best efforts to take, or cause to be taken, all action and to do, or cause to be done, all things necessary, proper or advisable to consummate and make effective as promptly as practicable the Merger and all other transactions contemplated by this Agreement, including, without limitation, using all reasonable efforts to obtain all necessary waivers, consents and approvals and to effect all necessary registrations and filings and to cause the conditions to Closing set forth in Article V hereof to be promptly fulfilled; provided, that the foregoing shall not require Parent to agree to make, or to require or permit the Company to make, or require Holdings to make any divestiture of a significant asset in order to obtain any waiver, consent or approval.

SECTION 4.05 Inquiries and Negotiations. Neither Holdings, the Company nor any of their subsidiaries, nor any of their respective affiliates, directors, officers, employees, representatives, advisors or agents, shall, directly or indirectly, encourage, solicit or initiate any discussions, submissions of proposals or offers or negotiations with, or, subject to the fiduciary

obligations of the Board of Directors of the Company and the Board of Directors of Holdings under applicable law as advised by counsel, participate in any negotiations or discussions with, or provide any information or data of any nature whatsoever to, or otherwise cooperate in any other way with, or assist or participate in, facilitate or encourage any effort or attempt by, any person, other than Parent and its affiliates, representatives and agents, concerning any merger, consolidation, sale of substantial assets, sale of shares of capital stock or other equity securities, recapitalization, debt restructuring or similar transaction involving the Company, or any division of the Company (such transactions being hereinafter referred to as "Alternative Transactions"). Holdings and the Company shall immediately notify Parent if any proposal, offer, inquiry or other contact is received by, any information is requested from, or any discussions or negotiations are sought to be initiated or continued with, the Company in respect of an Alternative Transaction, and shall, in any such notice to Parent, indicate the identity of the offeror and the terms and conditions of any proposals or offers or the nature of any inquiries or contacts, and thereafter shall keep Parent informed of the status and terms of any such proposals or offers and the status of any such discussions or negotiations. The Company shall not release any third party from, or waive any provision of, any confidentiality or standstill agreement to which the Company is a party. Nothing herein shall prevent Holdings from participating in any merger or other business combination that does not involve the transfer of the Company Common Stock or the Company's assets; provided, however, that any third party acquiror of Holdings expressly consents to abide by the terms, conditions, and obligations of this Agreement.

SECTION 4.06 Notification of Certain Matters. Holdings and the Company shall give prompt notice to Parent and Acquisition, and Parent and Acquisition shall give prompt notice to Holdings and the Company, of (i) the occurrence, or failure to occur, of any event that such party believes would cause any of its representations or warranties contained in this Agreement to be untrue or inaccurate in any material respect at any time from the date hereof to the Effective Time and (ii) any failure of Holdings, the Company, Parent or Acquisition, as the case may be, or any officer, director, employee or agent thereof, to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder; provided, however, that failure to

give such notice shall not constitute a waiver of any defense that may be validly asserted.

SECTION 4.07 Compliance with the Securities Act. Prior to the Effective Time, the Company shall deliver to Parent a list identifying all persons who might, in its opinion, be deemed to be "affiliates" of the Company for purposes of Rule 145 under the Securities Act (the "Affiliates"). The Company shall use its best efforts to cause each person who is identified as an Affiliate to deliver to Parent on or prior to the Effective Time a written agreement, in such form as may be agreed to by the parties, that he will not offer to sell, sell or otherwise dispose of any of the shares of Parent Common Stock issued to him in connection with the Merger, except pursuant to an effective registration statement or in compliance with Rule 145 or pursuant to an exemption from the registration requirements of the Securities Act. Parent shall be entitled to place appropriate legends on the certificates evidencing the Parent Common Stock to be received by Affiliates pursuant to the terms of this Agreement, and to issue appropriate stock transfer instructions to the transfer agent for Parent Common Stock, to the effect that the shares received or to be received by such Affiliate pursuant to this Agreement may only be sold, transferred or otherwise conveyed, and the holder thereof may only reduce his interest in or risks relating to such shares, pursuant to an effective registration statement under the Securities Act or in accordance with the provisions of paragraph (d) of Rule 145 or pursuant to an exemption from registration provided under the Securities Act. The foregoing restrictions on the transferability of Parent Common Stock shall apply to all purported sales, transfers and other conveyances of the shares received or to be received by such Affiliate pursuant to this Agreement and to all purported reductions in the interest in or risks relating to

such shares, whether or not such Affiliate has exchanged the certificates previously evidencing shares of the Company's capital stock, into which such shares were converted.

SECTION 4.08 Conduct of Parent's Business. Parent covenants and agrees that, prior to the Effective Time, unless the Company shall otherwise agree in writing, or as otherwise expressly contemplated by this Agreement:

(a) the business of Parent and its subsidiaries shall be conducted only in the ordinary course of business consistent with past practice;

(b) Parent shall not (i) amend its Certificate of Incorporation (other than to increase the number of authorized shares of capital stock of Parent) or (ii) declare, set aside or pay any dividend or other distribution payable in cash, stock or property;

(c) Parent shall not authorize for issuance, issue or sell or agree to issue or sell any shares of, or rights to acquire or convert into any shares of, its capital stock, except for (i) the issuance of options or rights pursuant to existing employee benefit plans or arrangements in a manner and in amounts consistent with past practice, (ii) the issuance of shares of Parent Common Stock upon the exercise of options or other rights to purchase Parent Common Stock outstanding on the Effective Date of this Agreement or upon the exercise of options or other rights described in the immediately preceding clause (i), (iii) the issuance of Parent Common Stock pursuant to the agreements set forth on Schedule 3.03(c), and (iv) the issuance of up to an additional 5,000,000 shares (as may be adjusted from time to time for stock splits or stock dividends) of Parent Common Stock, or options or rights to purchase such shares of stock, for any other corporate purpose, including acquisitions; and

(d) neither Parent nor Acquisition shall take any action that would jeopardize qualification of the Merger as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code.

SECTION 4.09 Employment and Severance Liabilities. Holdings covenants and agrees that it will retain any and all employment and severance liabilities and obligations for the employees and former employees of the Company specifically listed on Schedule 4.09 hereof.

SECTION 4.10 Contractual Obligations. Holdings covenants and agrees that it will honor and comply in all material respects with any and all obligations and/or liabilities that it is contractually bound to, or otherwise obligated for under the contracts, agreements, and arrangements listed on Schedule 4.10 hereof insofar as they involve the Business of the Company.

SECTION 4.11 Indemnity. Parent agrees to defend, indemnify and hold Holdings harmless from and against, any and all suits, claims, demands, actions, causes of action, loss, damages, liabilities, cost and expense (including but not limited to reasonably attorneys' fees and court costs and costs of other professionals) arising in any manner out of any failure of Parent or the Company after the Effective Time, to comply with or perform any contractual or other obligation to which the Company is now, or hereafter becomes, bound or obligated.

SECTION 4.12 Agreements Executed. Concurrently with their execution of this Agreement, the applicable parties hereto shall execute and deliver to each other: (a) that certain Services and License Agreement by and among Parent, Holdings and the Company, a copy of which is attached hereto as Exhibit B and incorporated herein by reference (the "Services and License Agreement"); (b) an Assignment and License Agreement by and between Holdings and the Company which is attached hereto as Exhibit C and incorporated herein by reference; (c) a Stock Restriction Agreement, which is attached hereto as Exhibit D and incorporated herein by reference.

SECTION 4.13 Stockholder Agreements and Proxies. Peter J. Kight and Mark A. Johnson shall, concurrently with the execution of this Agreement by Holdings and the Company, each have executed and delivered to Holdings (i) a Stockholder Agreement and (ii) an Irrevocable Proxy, copies of which are attached hereto as Exhibit E and incorporated herein by reference. Parent shall use its best efforts to cause Tribune Company to also execute and deliver such a Stockholder Agreement and Irrevocable Proxy as soon as practicable.

SECTION 4.14 Revenue Make-Up.

(a) As soon as reasonably practicable after July 31, 1997, Parent shall deliver to Holdings the Company's unaudited statement of operations for the twelve-month period beginning on August 1, 1996 and ending on July 31, 1997 (such twelve-month period being hereinafter called the "Revenue Period"), prepared by Parent's auditors in accordance with generally accepted accounting principles consistently applied and consistent with the Company's revenue recognition policies for its fiscal year ended July 31, 1996 (such unaudited statement of operations is hereinafter called the "Revenue Statement"). As used herein, the term "Gross Revenues" means the Company's total gross revenues derived during the Revenue Period determined in accordance with generally accepted accounting principles consistently applied and consistent with the Company's revenue recognition policies for its fiscal year ended July 31, 1996. The Company and Parent shall maintain complete and accurate books and records relating to the determination of Gross Revenues.

(b) If the Company's Gross Revenues are less than Forty-Six Million Dollars ($46,000,000), then, provided that (i) Parent and the Company have, at all times after the Effective Time, used their respective good faith efforts to maximize the Gross Revenues of the Company during the Revenue Period; (ii) the Company has not discontinued or disposed of any material portion of its business or assets (as such exist immediately prior to the Effective Time); (iii) Parent has fully and timely paid to Holdings all fees required to be paid to Holdings under Section 8.1.5 of the Services and License Agreement; and (iv) Holdings has received from the Company the Revenue Statement stating that the Company's Gross Revenues for the Revenue Period are less than Forty-Six Million Dollars ($46,000,000), Holdings shall, within sixty-five (65) days after its receipt of the Revenue Statement, pay to Parent, in cash, a sum equal to Forty-

Six Million Dollars ($46,000,000) minus the amount of the Gross Revenues (the "Revenue Make-Up Payment"), subject to the provisions of paragraph (c) below.

(c) Within thirty (30) days after it receives the Revenue Statement, Holdings may request an audit of the Company's and Parent's records pertaining to the determination of the Gross Revenues by Holdings' auditors (the "Audit") by giving the Company and Parent written notice (the "Audit Notice"). Upon timely submission of the Audit Notice, Holdings' auditor may perform the Audit during business hours and the Company and Parent shall cooperate in good faith in facilitating such Audit and promptly making available all records necessary to enable Holdings' Auditor to perform the Audit. The Audit shall be completed within sixty (60) days after Holdings receives the Revenue Statement (subject to potential extension due to failure by the Company or Parent to cooperate and provide records as required above). If the Audit reveals that the Gross Revenues are higher than indicated in the Revenue Statement, then the amount of the Revenue Make-Up Payment shall be reduced to the sum equal to Forty-Six Million Dollars ($46,000,000) minus the Gross Revenues as determined by the Audit.

SECTION 4.15 Board Visitation Rights. So long as Holdings holds no less than ten percent (10%) of the outstanding shares of the Parent Common Stock, Parent will permit one (1) representative of Holdings (the "Designee") to attend all meetings of Parent's Board of Directors in a non-voting observer capacity. Parent will also timely provide such Designee with copies of all notices, minutes and other materials that it provides to its directors with respect to such meetings. Holdings may change its Designee from time to time with the prior written consent of Parent, which will not unreasonably be withheld. Holdings' initial designee will be Eric C. W. Dunn. Nothing contained herein shall require Parent to permit the Designee to have access to information, including Board minutes, or to attend or to participate in meetings of the Board of Directors which, in the reasonable judgment of Parent's Board of Directors, pertains to matters with respect to which Holdings' interests may conflict with those of Parent prior to public disclosure by Parent of such matters or which the

Parent's Board of Directors deems the presence of such Designee would unduly prohibit the full discussion of any matter before Parent's Board of Directors. In addition, the Designee would be required to first sign a reasonable nondisclosure and confidentiality agreement as appropriate for a public company and which would impose on the Designee the same confidentiality obligations he would have if he were in fact a member of Parent's Board of Directors.

SECTION 4.16 Reimbursement for Certain Charges and Costs.

(a) Holdings covenants and agrees that it will reimburse Parent for any charges, costs, or penalties associated with, or arising out of matters listed on Schedule 4.16.

(b) Reimbursements made pursuant to this Section 4.16 shall be paid in cash and shall be in addition to, not in lieu of, and not set off against any right of payment, by indemnification or otherwise, or Merger Consideration Adjustment, required by any other provision of this Agreement.

(c) Prior to any obligation on Holdings to reimburse Parent, Parent must give notice of such right to reimbursement within six (6) months after the Effective Time (except for Item G on Schedule 4.16 which shall be within eighteen (18) months after the Effective Date of

this Agreement) and shall provide Holdings with reasonable documentation of Parent's reimbursement claim.

SECTION 4.17 Debt. Holdings covenants and agrees that, at Closing, the Company will have no debt and will have $3,000,000 in cash.

ARTICLE V

CONDITIONS TO THE MERGER

SECTION 5.01 Conditions to Each Party's Obligation to Effect the Merger. The respective obligations of each party to effect the Merger shall be subject to the fulfillment at or prior to the Effective Time of the following conditions:

(a) this Agreement and the Merger shall have been approved and adopted by the requisite vote of (i) the sole stockholder of the Company and (ii) the stockholders of Parent;

(b) the expiration or earlier termination of any waiting period under the HSR Act shall have occurred;

(c) no preliminary or permanent injunction or other order, decree or ruling issued by any court of competent jurisdiction nor any statute, rule, regulation or order entered, promulgated or enacted by any governmental, regulatory or administrative agency or authority shall be in effect that would prevent the consummation of the Merger as contemplated hereby;

(d) the Registration Statement shall have been declared effective and no stop order with respect thereto shall be in effect at the Effective Time;

(e) the execution and delivery by Parent and Holdings of an escrow agreement (the "Escrow Agreement"), a copy of which is attached hereto as Exhibit F and incorporated herein by reference; and

(f) the execution and delivery by Parent and Holdings of a Registration Rights Agreement, which is attached hereto as Exhibit G and incorporated herein by reference.

SECTION 5.02 Conditions to the Obligation of Holdings and the Company to Effect the Merger. The obligation of Holdings and the Company to effect the Merger shall be subject to the fulfillment at or prior to the Effective Time of the following additional conditions:

(a) Parent and Acquisition shall have performed and complied in all material respects with all their obligations, covenants, and agreements required to be performed and complied with by them under this Agreement at or prior to the Effective Time;

(b) the representations and warranties made by Parent and/or Acquisition in Sections 3.03 and 3.04 hereof (as qualified by the schedules hereto and the Parent Disclosure Letter), shall not, as of the Effective Date of this Agreement, have been incorrect, untrue or false in any respect that failed to correctly state facts in existence on the Effective Date of this

Agreement that constituted a Parent Material Adverse Effect on the Effective Date of this Agreement;

(c) Holdings and the Company shall have received a certificate from the Chief Executive Officer of Parent and Acquisition, dated as of the Effective Time, to the effect that the conditions set forth in paragraphs (a) and (b) above have been satisfied;

(d) the shares of Parent Common Stock to be issued in the Merger shall have been approved for listing on the Nasdaq NM, subject to official notice of issuance; and

(e) Holdings and the Company shall have received the opinion of Porter, Wright, Morris & Arthur, counsel to Parent and Acquisition, with respect to the matters set forth on Exhibit H and incorporated herein by reference, subject to appropriate limitations and qualifications.

SECTION 5.03 Conditions to the Obligation of Parent and Acquisition to Effect the Merger. The obligation of Parent and Acquisition to effect the Merger shall be subject to the fulfillment at or prior to the Effective Time of the following additional conditions:

(a) Holdings and the Company shall have performed and complied in all material respects with all their obligations, covenants, and agreements required to be performed and complied with by them under this Agreement at or prior to the Effective Time;

(b) the representations and warranties made by Holdings and/or the Company in Sections 3.01 and 3.02 hereof (as qualified by the schedules hereto and the Holdings/Company Disclosure Letter), shall not, as of the Effective Date of this Agreement, have been incorrect, untrue or false in any respect that failed to correctly state facts in existence on the Effective Date of this Agreement that constituted a Company Material Adverse Effect as of the Effective Date of this Agreement;

(c) Parent shall have received a certificate from the Chief Executive Officer and the Chief Financial Officer of Holdings and the Company, dated as of the Effective Time, to the effect that the conditions set forth in paragraphs (a) and (b) above have been satisfied;

(d) Parent shall have received a certificate from the Chief Executive Officer and the Chief Financial Officer of Holdings and the Company, dated as of the Effective Time, to the effect that the Company has not incurred, realized, or otherwise experienced a Material Adverse Change; provided, however; the existence of such Material Adverse Change will not entitle Parent to terminate this Agreement pursuant to Article VI;

(e) Parent shall have received the consents described in Schedule 3.03(f); and

(f) Parent and Acquisition shall have received the opinion of Fenwick & West LLP, counsel to Holdings and the Company, with respect to the matters set forth on Exhibit I and incorporated herein by reference, subject to appropriate limitations and qualifications.

ARTICLE VI

TERMINATION AND ABANDONMENT

SECTION 6.01 Termination and Abandonment. This Agreement may be terminated and the Merger may be abandoned at any time prior to the Effective Time, whether before or after approval by the stockholders of Parent and the Company:

(a) by mutual written consent approved by the Boards of Directors of Parent, Holdings, and the Company;

(b) by Holdings or the Company if the conditions set forth in Sections 5.01 or 5.02 shall not have been complied with, waived or performed and such noncompliance or nonperformance shall not have been cured or eliminated (or by its nature cannot be cured or eliminated), by Parent and Acquisition on or before March 31, 1997; or

(c) by Holdings or the Company, if Parent's Board of Directors fails to recommend approval of this Agreement or the Merger to Parent's stockholders or recommends against approval of this Agreement or the Merger to Parent's stockholders; or

(d) by Parent or Acquisition, if the conditions set forth in Sections 5.01 or 5.03 shall not have been complied with, waived or performed and such noncompliance or nonperformance shall not have been cured or eliminated (or by its nature cannot be cured or eliminated), by Holdings and the Company on or before March 31, 1997; or

(e) by Parent, if the representations and warranties made by

Holdings and/or the Company in Sections 3.01 and 3.02 hereof (as qualified by the schedules hereto and the Holdings/Company Disclosure Letter), shall, as of the Effective Date of this Agreement, have been incorrect, untrue or false in any respect that failed to correctly state facts in existence on the Effective Date of this Agreement that constituted a Company Material Adverse Effect on the Effective Date of this Agreement; or

(f) by Holdings or the Company, if the representations and warranties made by Parent and/or Acquisition in Sections 3.03 and 3.04 hereof (as qualified by the schedules hereto and the Parent Disclosure Letter), shall, as of the Effective Date of this Agreement, have been incorrect, untrue or false in any respect that failed to correctly state facts in existence on the Effective Date of this Agreement that constituted a Parent Material Adverse Effect on the Effective Date of this Agreement.

SECTION 6.02 Effect of Termination. In the event of the termination of this Agreement and the abandonment of the Merger pursuant to Section 6.01, this Agreement shall thereafter become void and have no effect, and no party hereto shall have any liability to any other party hereto or its stockholders or directors or officers on account of such termination, and each party shall be responsible for its own expenses, except as follows: (i) the obligations imposed by Sections 4.03(d) and 4.03(e) hereof shall survive the termination of this Agreement, and (ii) nothing herein shall relieve any party from liability for any willful breach hereof.

ARTICLE VII

INDEMNIFICATION

SECTION 7.01 Indemnification by Holdings. Subject to the terms, conditions, and limitations set forth herein, if the Merger is consummated, Holdings agrees to indemnify Parent against, and agrees to hold Parent harmless from, any and all actions, suits, losses, costs, claims, damages and expenses (including reasonable attorneys' fees) (the "Losses"), incurred or suffered by them relating to or arising out of or in connection with any material breach of, or any material misrepresentation or inaccuracy in, any representation or warranty made by Holdings and/or the Company in Section 3.01 or Section 3.02 of this Agreement (as qualified by the Holdings/Company Disclosure Letter and the schedules hereto) where such material breach or material misrepresentation or inaccuracy existed as of the Effective Date of this Agreement; provided, however, that the amount of Losses recoverable under the indemnity provisions of this Article shall be reduced, dollar-for-dollar, by the amount of any insurance proceeds paid to Parent and by the amount of tax benefits realized by Parent in respect of such Losses. In addition, notwithstanding anything herein to the contrary, the term "Losses" shall not include, and Parent shall not be entitled to indemnification for, any actions, suits, losses, costs, claims, damages and expenses (including reasonable attorneys' fees), to the extent that Parent has recovered or been compensated or reimbursed therefor by virtue of (a) the Merger Consideration Adjustment pursuant to Section 2.02 hereof, or (b) a Revenue Makeup Payment made pursuant to Section 4.14 hereof, or (c) a payment made pursuant to Section 4.16 hereof, with the purpose and intent that Parent shall not receive a redundant or double recovery of any Losses.

SECTION 7.02 Claims. The provisions of this Section shall be subject to Section 7.03. As soon as is reasonably practicable after becoming aware of a claim for indemnification under this Agreement, Parent shall promptly give written notice to Holdings of such claim and the amount Parent believes it will be entitled to receive hereunder in indemnification from Holdings under this Article VII in respect of such claim; provided, that the failure of Parent to promptly give such notice shall not relieve Holdings of its obligations except to the extent (if any) that Holdings shall have been prejudiced thereby. If Holdings does not object in writing to such indemnification claim within 30 days of receiving written notice thereof, Parent shall be entitled to recover, on the 60th day after such written notice was given, from Holdings the amount of such claim, and no later objection by Holdings shall be permitted; if Holdings agrees that it has an indemnification obligation but objects that it is obligated to pay only a lesser amount, Parent shall nevertheless be entitled to recover from Holdings, on the 60th day after such notice was given, the lesser amount, without prejudice to Parent's claim for the difference. In addition to the amounts recoverable by Parent from Holdings pursuant to the foregoing provisions, Parent shall also be entitled to recover from Holdings interest on such amounts at the rate equal to the published prime rate at The Chase Manhattan Bank, New York, New York, from, and including, the 60th day after such notice of an indemnification claim is given to, but not including, the date such recovery is actually made by Parent.

SECTION 7.03 Notice and Defense of Third Party Claims. Parent shall give written notice as promptly as is reasonably practicable to Holdings of the assertion of any claim, or the commencement of any suit, action or proceeding, by any person or entity not a party hereto in respect of which indemnity may be sought under Article VII of this Agreement ("Third Party

Claim"); provided that the failure of Parent to promptly give such notice shall not relieve Holdings of its obligations except to the extent (if any) that Holdings shall have been prejudiced thereby. If Parent does not promptly elect to defend or contest the Third Party Claim, then Holdings, at its sole option (i) shall be free to assume and control the prosecution or defense of any such Third Party Claim in a reasonable manner, (ii) may take all reasonably necessary steps to contest the Third Party Claim or to prosecute such Third Party Claim to conclusion or settlement satisfactory to Holdings, (iii) shall notify Parent of the progress of any such Third Party Claim, (iv) shall permit Parent, at the sole cost of such Parent, to participate in such prosecution or defense, and (v) shall provide Parent with reasonable access to all relevant information and documentation relating to the Third Party Claim and Holdings' prosecution or defense thereof. In any case, the party not in control of the defense or prosecution of the Third Party Claim shall cooperate with the other party in the conduct of the prosecution or defense of such Third Party Claim. If, however, Parent reasonably determines in its judgment that representation by Holdings' counsel of both Holdings and Parent would present such counsel with a conflict of interest, then Parent may employ separate counsel to represent or defend it in any such claim, action, suit or proceeding and Holdings shall pay the fees and disbursements of such separate counsel. Whether or not Holdings chooses to defend or prosecute any such claim, suit, action or proceeding, all of the parties hereto shall cooperate in the defense or prosecution thereof.

SECTION 7.04 Settlement or Compromise. Neither party shall compromise or settle any Third Party Claim without the prior written consent of either Holdings (if Parent controls and defends such Third Party Claim) or Parent (if Holdings controls and defends such Third Party Claim), such consent not to be unreasonably withheld (provided, that, in the case of Parent, such consent shall be deemed to be unreasonably withheld if Parent will, as part of the terms of such compromise or settlement, be fully released of liability arising from such Third Party Claim). The person controlling the defense of such Third Party Claim will give the other person at least 20 days' notice of any proposed settlement or compromise of any Third Party Claim for which it is controlling the defense.

SECTION 7.05. Limitations on Indemnification.

(a) Basket. Any indemnification pursuant to this Agreement shall be subject to the requirement that no claim may be made until the aggregate amount of Losses exceeds $500,000, after which time claims for indemnification may be made for the aggregate amount of all Losses, subject to the terms, conditions and limitations set forth herein.

(b) Maximum Liability. Holdings' total and maximum aggregate lifetime liability under this Article VII shall not exceed a dollar amount equal to thirty-five percent (35%) of the Merger Consideration, as adjusted pursuant to Section 2.02 hereof, multiplied by the per share closing price of Parent Common Stock as reported on the Nasdaq NM for the five (5) trading days immediately preceding the Effective Date of this Agreement.

(c) Deadline for Indemnity Claims. Except as otherwise provided in Section 7.01, Holdings shall have no liability with respect to any matter or claim for indemnification hereunder, unless Parent notifies Holdings in accordance with this Article VII no later than the close of business on the first (1st) anniversary of the Effective Time of a claim for

indemnification hereunder; provided, however, that (i) claims of indemnification for Loss suffered as a result of a material breach of the representations and warranties under Sections 3.01(p) and (r) hereof (the "Tax Warranties") shall survive until six (6) months after the expiration of the applicable statute of limitations with respect to Taxes, including any extensions thereof; and (ii) such limitation shall not apply in any matter involving intentional misrepresentation or fraud on the part of Holdings.

ARTICLE VIII
NONCOMPETITION AGREEMENT

SECTION 8.01 Certain Acknowledgments. Holdings expressly acknowledges that the noncompetition agreements set forth in this Article VIII are a material part of this Agreement and are an integral part of the obligations of Holdings hereunder; and the noncompetition agreements set forth in this Article VIII are reasonable and necessary to protect the legitimate business interests of Parent following the consummation of the Merger.

SECTION 8.02 Noncompetition Agreement. Except as provided in Section 8.03 below, during the period beginning on the Effective Time and ending on the fifth (5th) anniversary of the Effective Time, except with Parent's prior written consent, Holdings shall not, directly or indirectly, own or operate a back-end computer-based system for processing consumer or small business remote payment instructions in order to generate remittance information and payment (via remote check printing or electronic funds transfer) to merchants in the United States of America (the "Competing Business"). The parties agree, without limitation, that Holdings shall not be deemed to be engaged in the Competing

Business by virtue of, nor shall Holdings be at any time prohibited from: (a) developing and providing client-software or web/Internet-based applications which create and transmit payment instructions or remittance information to third parties; or (b) developing and providing client-software or web/Internet-based applications which facilitate the on-line purchase of goods or services.

SECTION 8.03 Exception. The ownership by Holdings or any subsidiary or affiliate controlled by Holdings of not more than five percent in the aggregate of the outstanding securities of any public company shall not, by itself, constitute a breach of the noncompetition agreement in Section 8.02, even if such public company competes with Parent or engages in the Competing Business.

SECTION 8.04 No Objection or Defense. Holdings expressly waives any objection to or defense regarding the scope, duration or geographic area of the restriction on competition set forth in this Article VIII.

SECTION 8.05 Enforcement of Noncompetition Agreement. Holdings expressly acknowledges that it would be extremely difficult to measure the damage that might result form any breach of the noncompetition agreements in this Article VIII, and that any such breach will result in irreparable injury to Parent for which money damages could not adequately compensate. If a breach of the noncompetition agreements in this Article VIII occurs, then Parent shall be entitled, in addition to all other rights or remedies that it may have at law or in equity. to have an injunction issued by any competent court enjoining and restraining Holdings and all other persons involved therein from continuing such breach. The existence of any claim or cause of

action that Holdings or any such other person may have against Parent shall not constitute a defense or bar to the enforcement of any of the noncompetition agreements under this Article VIII. If Parent must resort to litigation to enforce any of the noncompetition agreements under this Article VIII that has a fixed term, then such term shall be extended for a period of time equal to the period during which a breach of such agreement was occurring, beginning on the date of a final court order (without further right of appeal) holding that such breach occurred or, if later, the last day of the original fixed term of such agreement.

SECTION 8.06 Early Termination of Noncompetition Agreement. In the event that Holdings is merged or consolidated with, or a majority of Holdings' voting stock or all or substantially all of Holdings' assets are acquired by, a person, corporation or other party who, at the time of such merger, consolidation, stock or asset acquisition, is engaged in the Competing Business, then upon the consummation of such merger, consolidation, sale, acquisition or similar business combination, all Holdings' obligations, duties and covenants under this Article VIII shall automatically immediately terminate and expire.

SECTION 8.07 Effect on Acquiror. In the event that Holdings is merged or consolidated with, or a majority of Holdings' voting stock or all or substantially all of Holdings' assets are acquired by, a person, corporation or other party (the "Acquiror"), and the provisions of Section 8.06 do not apply, then the Acquiror shall not be bound by or obligated under any of Holdings' obligations or duties under this Article VIII; except that such Acquiror may not utilize technology or personnel of Holdings to engage in the Competing Business so long as Holdings' obligations, duties and covenants under this Article VIII remain in effect.

ARTICLE IX

MISCELLANEOUS

SECTION 9.01 Survival of Representations and Warranties. Except as otherwise specified, the representations and warranties of Holdings and the Company contained herein shall survive the Closing for a period expiring at the close of business on the first (1st) anniversary of the Effective Time; provided, however, that the Tax Warranties shall survive until six (6) months after the expiration of the applicable statute of limitations with respect to Taxes, including any extensions thereof.

SECTION 9.02 Interpretation of Representations and Warranties. Each representation and warranty made in this Agreement or pursuant hereto is independent of all other representations and warranties made by the same parties, whether or not covering related or similar matters, and must be independently and separately satisfied. Exceptions or qualifications to any such representation or warranty shall qualify, and shall be exceptions to, any other representation or warranty.

SECTION 9.03 Reliance by Parent and Acquisition. Notwithstanding the right of Parent and Acquisition to investigate the business, assets, and financial condition of Holdings and/or the Company, and notwithstanding any knowledge determinable by Parent or Acquisition as a result of such investigation, Parent and Acquisition have the unqualified right to rely upon, and have relied upon, each of the representations and warranties made by

Holdings and/or the Company in

this Agreement or pursuant hereto, as qualified by the Holdings/Company Disclosure Letter and the schedules hereto, except to the extent that Parent or Acquisition had actual knowledge to the contrary at the Effective Date of this Agreement.

SECTION 9.04 Expenses, Etc. Whether or not the transactions contemplated by this Agreement are consummated, neither Holdings and the Company, on the one hand, and Parent and Acquisition, on the other hand, shall have any obligation to pay any of the fees and expenses of the other incident to the negotiation, preparation and execution of this Agreement, including the fees and expenses of counsel, accountants, investment bankers and other experts and Parent shall pay all such fees and expenses incurred by Acquisition. Holdings and the Company, on the one hand, and Parent and Acquisition, on the other hand, shall indemnify the other and hold it harmless from and against any claims for finders' fees or brokerage commissions in relation to or in connection with such transactions as a result of any agreement or understanding between such indemnifying party and any third party. The Company represents that, in connection with the transactions contemplated by this Agreement, the Company has committed to pay only the fees and expenses set forth on Schedule 9.04 hereto.

SECTION 9.05 Publicity; Confidentiality. Holdings, the Company, and Parent agree that this Agreement and the exchange of information pursuant thereto is confidential and they will not disclose or issue any press release or make any other public announcement concerning this Agreement or the transactions contemplated hereby without the prior consent of the other party, which will not be unreasonably withheld, except that Holdings, the Company, or Parent may make such public disclosure that it believes in good faith to be required by law or any applicable rules and regulations of a national securities exchange or the NASD (in which event such party shall consult with the other prior to making such disclosure).

SECTION 9.06 Execution in Counterparts. For the convenience of the parties, this Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

SECTION 9.07 Notices. All notices that are required or may be given pursuant to the terms of this Agreement shall be in writing and shall be sufficient in all respects if given in writing and delivered by hand or national overnight courier service, transmitted by telecopy or mailed by registered or certified mail, postage prepaid, and shall be deemed given upon receipt, as follows:

If to Parent to:

CHECKFREE CORPORATION
8275 North High Street
Columbus, Ohio 43235
Telecopy Number: (614) 825-3244
Attention: Peter J. Kight
Chairman

with copies to:

CHECKFREE CORPORATION
8275 North High Street
Columbus, Ohio 43235
Telecopy Number: (614) 825-3244
Attention: William C. Buckham
General Counsel

and
PORTER, WRIGHT, MORRIS & ARTHUR
41 South High Street
Columbus, Ohio 43215
Telecopy Number: (614) 227-2100
Attention: Curtis A. Loveland, Esq.

If to Holdings and/or the Company, to:

INTUIT INC.
2535 Garcia Avenue
Mountain View, California 94043
Telecopy Number: (415) 944-3060
Attention: William H. Harris,
Executive Vice President

with a copies to:

INTUIT INC.
2535 Garcia Avenue
Mountain View, California 94043
Telecopy Number: (415) 944-6622
Attention: Catherine Valentine, Esq.
General Counsel

and

FENWICK & WEST LLP
Two Palo Alto Square
Palo Alto, California 94306
Telecopy Number: (415) 857-0361
Attention: Kenneth A. Linhares, Esq.

or such other address or addresses as any party hereto shall have designated by notice in writing to the other parties hereto.

SECTION 9.08 Waivers. Holdings and the Company, on the one hand, and Parent and Acquisition, on the other hand, may, by written notice to the other, (i) extend the time for the

performance of any of the obligations or other actions of the other under this Agreement; (ii) waive any inaccuracies in the representations or warranties of the other contained in this Agreement or in any document delivered pursuant to this Agreement; (iii) waive compliance with any of the conditions of the other contained in this Agreement; or (iv) waive performance of any of the obligations of the other under this Agreement. Except as provided in the preceding sentence, no action taken pursuant to this Agreement, including, without limitation, any investigation by or on behalf of any party, shall be deemed to constitute a waiver by the party taking such action of compliance with any representations, warranties, covenants or agreements contained in this Agreement. The waiver by any party hereto of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach.

SECTION 9.09 Amendments, Supplements, Etc. At any time, this Agreement may be amended or supplemented by such additional agreements, articles or certificates, as may be determined by the parties hereto to be necessary, desirable or expedient to further the purposes of this Agreement, or to clarify the intention of the parties hereto, or to add to or modify the covenants, terms or conditions hereof or to effect or facilitate any governmental approval or acceptance of this Agreement or to effect or facilitate the filing or recording of this Agreement or the consummation of any of the transactions contemplated hereby. Any such instrument must be in writing and signed by all of the parties hereto.

SECTION 9.10 Entire Agreement. This Agreement and its schedules and exhibits, and the documents to be executed or delivered at the Effective Time in connection herewith, constitute the entire agreement among the parties hereto with respect to the subject matter hereof and supersede all prior agreements and understandings, oral and written, among the parties hereto with respect to the subject matter hereof. No representation, warranty, promise, inducement or statement of intention has been made by any party that is not embodied in this Agreement or such other documents, and none of the parties shall be bound by, or be liable for, any alleged representation, warranty, promise, inducement or statement of intention not embodied herein or therein.

SECTION 9.11 Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without regard to conflict of laws principles.

SECTION 9.12 Binding Effect, Benefits. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns. Except for the provisions of Article VII hereof, nothing in this Agreement, expressed or implied, is intended to confer on any person other than the parties hereto or their respective successors and assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement.

SECTION 9.13 Assignability. Neither this Agreement nor any of the parties' rights hereunder shall be assignable by any party hereto without the prior written consent of the other parties hereto.

SECTION 9.14 Severability. Any term or provision of this Agreement that is invalid or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms

and provisions of this Agreement or affecting the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdiction.

SECTION 9.15 Variation and Amendment. This Agreement may be varied or amended at any time before or after the approval and adoption of this Agreement by the stockholders of Parent and the Company by action of the respective Boards of Directors of Holdings, the Company, Parent, and Acquisition, without action by the stockholders thereof, provided that after approval and adoption of this Agreement by Parent's stockholders no such variance or amendment shall, without consent of such stockholders, increase the consideration that the holders of the capital stock of the Company shall be entitled to receive upon the Effective Time pursuant to Section 2.01 hereof.

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement as of the day and year first above written.

CHECKFREE CORPORATION

By /s/ Peter J. Kight

CHECKFREE ACQUISITION CORPORATION II

By /s/ Peter J. Kight

INTUIT INC.

By /s/ James J. Heeger

INTUIT SERVICES CORPORATION

By /s/ Catherine L. Valentine

EXHIBIT 10.03

INTUIT INC.

1993 EQUITY INCENTIVE PLAN

As Adopted February 1, 1993
and Amended and Restated through July 20, 1995

1. PURPOSE. The purpose of the Plan is to provide incentives to attract, retain and motivate eligible persons whose present and potential contributions are important to the success of the Company, its Parent, Subsidiaries and Affiliates, by offering them an opportunity to participate in the Company's future performance through awards of Options, Restricted Stock, Stock Bonuses and Performance Awards. Capitalized terms not defined in the text are defined in Section 24.

2. SHARES SUBJECT TO THE PLAN.

2.1 Number of Shares Available. Subject to Sections 2.2 and 19, the total number of Shares reserved and available for grant and issuance pursuant to Awards under the Plan shall be 8,000,000* Shares. Subject to Sections 2.2 and 19, Shares shall again be available for grant and issuance in connection with future Awards under the Plan that: (a) are subject to issuance upon exercise of an Option but cease to be subject to such Option for any reason other than exercise of such Option or (b) are subject to an Award that otherwise terminates without Shares being issued and for which the participant did not receive any benefits of ownership (other than voting rights).

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

3. ELIGIBILITY. ISOs (as defined in Section 5 below) may be granted only to employees (including officers and directors who are also employees) of the Company or of a

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* Reflects 8/4/95 stock split

Parent or Subsidiary of the Company. All other Awards may be granted to employees, officers, directors, consultants, independent contractors and advisors of the Company or any Parent, Subsidiary or Affiliate of the Company; provided such consultants, contractors and advisors render bona fide services not in connection with the offer and sale of securities in a capital-raising transaction. A person may be granted more than one Award under the Plan. Each person is eligible to receive up to an aggregate maximum of 1,000,000 Shares over the term of the Plan.

4. ADMINISTRATION.

4.1 Committee Authority. The Plan shall be administered by the Committee. Subject to the general purposes, terms and conditions of the Plan, the Committee shall have full power to implement and carry out the Plan. The Committee shall have the authority to:

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

(b) prescribe, amend and rescind rules and regulations relating to the Plan;

(c) select persons to receive Awards;

(d) determine the form and terms of Awards;

(e) determine the number of Shares or other consideration subject to Awards;

(f) determine whether Awards will be granted singly, in

combination, or in tandem with, in replacement of, or as alternatives to, other Awards under the Plan or any other incentive or compensation plan of the Company or any Parent, Subsidiary or Affiliate of the Company;

(g) grant waivers of Plan or Award conditions;

(h) determine the vesting, exercisability and payment of Awards;

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

(j) determine whether an Award has been earned; and

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

4.2 Committee Discretion. Any determination made by the Committee with respect to any Award shall be made in its sole discretion at the time of grant of the Award or, unless in contravention of any express term of the Plan or Award, at any later time, and such determination shall be final and binding on the Company and all persons having an interest in any Award under the Plan. The Committee may delegate to one or more officers of the Company the authority to grant an Award under the Plan to Participants who are not Insiders of the Company.

4.3 Exchange Act Requirements. If two or more members of the Board are Outside Directors, the Committee shall be comprised of at least two members of the Board, all of whom are Outside Directors and Disinterested Persons. The Company will take appropriate steps to comply with the disinterested director requirements of Section 16(b) of the Exchange Act, including but not limited to, the appointment by the Board of a Committee consisting of not less than two persons (who are members of the Board), each of whom is a Disinterested Person. It is the intent of the Company that the Plan and Awards hereunder satisfy and be interpreted in a manner, that, in the case of Participants who are or may be Insiders, satisfies the applicable requirements of Rule 16b-3 (or its successor) of the Exchange Act. If any provision of the Plan or of any Award would otherwise conflict with the intent expressed in this Section 4.3, that provision to the extent possible shall be interpreted and deemed amended so as to avoid such conflict.

5. OPTIONS. The Committee may grant Options to eligible persons and shall determine whether such Options shall be Incentive Stock Options within the meaning of the Code ("ISOs") or Nonqualified Stock Options ("NQSOs"), the number of Shares subject to the Option, the Exercise Price of the Option, the period during which the Option may be exercised, and all other terms and conditions of the Option, subject to the following:

5.1 Form of Option Grant. Each Option granted under the Plan shall be evidenced by an Award Agreement which shall expressly identify the Option as an ISO or NQSO ("Stock Option Agreement"), and be in such form and contain such provisions (which need not be the same for each Participant) as the Committee shall from time to time approve, and which shall comply with and be subject to the terms and conditions of the Plan.

5.2 Date of Grant. The date of grant of an Option shall be the date on which the Committee makes the determination to grant such Option, unless otherwise specified by the Committee. The Stock Option Agreement and a copy of the Plan will be delivered to the Participant within a reasonable time after the granting of the Option.

5.3 Exercise Period. Options shall be exercisable within the times or upon the events determined by the Committee as set forth in the Stock Option Agreement; provided, however, that no Option shall be exercisable after the expiration of ten (10) years from the date the Option is granted; and provided further that no ISO granted to a person who directly or by attribution owns more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any Parent or Subsidiary of the Company ("Ten Percent Shareholder") shall be exercisable after the expiration of five (5) years from the date the Option

is granted. The Committee also may provide for the exercise of Options to become exercisable at one time or from time to time, periodically or otherwise, in such number or percentage as the Committee determines.

5.4 Exercise Price. The Exercise Price shall be determined by the Committee when the Option is granted and may be at less than Fair Market Value (but not less than the par value of the Shares) if permitted by the Exchange Act; provided, that (i) the Exercise Price of an ISO shall be

not less than 100% of the Fair Market Value of the Shares on the date of grant and (ii) the Exercise Price of any ISO granted to a Ten Percent Shareholder shall not be less than 110% of the Fair Market Value of the Shares on the date of grant. Payment for the Shares purchased may be made in accordance with Section 8 of the Plan.

5.5 Method of Exercise. Options may be exercised only by delivery to the Company of a written exercise agreement (the "Exercise Agreement") in a form approved by the Committee (which need not be the same for each Participant), stating the number of Shares being purchased, the restrictions imposed on the Shares, if any, and such representations and agreements regarding Participant's investment intent and access to information and other matters, if any, as may be required or desirable by the Company to comply with applicable securities laws, together with payment in full of the Exercise Price for the number of Shares being purchased.

5.6 Termination. Notwithstanding the exercise periods set forth in the Stock Option Agreement, exercise of an Option shall always be subject to the following:

(a) If the Participant is Terminated for any reason except death or Disability, then Participant may exercise such Participant's Options only to the extent that such Options would have been exercisable upon the Termination Date no later than three (3) months after the Termination Date (or such longer time period not exceeding five years as may be determined by the Committee), but in any event, no later than the expiration date of the Options.

(b) If the Participant is terminated because of death or Disability (or the Participant dies within three months of such termination), then Participant's Options may be exercised only to the extent that such Options would have been exercisable by Participant on the Termination Date and must be exercised by Participant (or Participant's legal representative or authorized assignee) no later than (i) twelve (12) months after the Termination Date in the case of disability or (ii) eighteen (18) months after the Termination Date in the case of death (or such longer time period not exceeding five years as may be determined by the Committee), but in any event no later than the expiration date of the Options.

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

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

5.9 Modification, Extension or Renewal. The Committee may modify, extend or renew outstanding Options and authorize the grant of new Options in substitution therefor; provided that any such action may not, without the written consent of Participant, impair any of Participant's rights under any Option previously granted. Any outstanding ISO that is modified, extended, renewed or otherwise altered shall be treated in accordance with Section 424(h) of the Code. The Committee may reduce the Exercise Price of outstanding Options without the consent of Participants affected by a written notice to them; provided, however, that the Exercise Price may not be reduced below the minimum Exercise Price that would be permitted under Section 5.4 of the Plan for Options granted on the date the action is taken to reduce the Exercise Price; and provided, further, that the Exercise Price shall not be reduced below the par value of the Shares, if any.

5.10 No Disqualification. Notwithstanding any other provision in the Plan, no term of the Plan relating to ISOs shall be

interpreted, amended or altered, nor shall any discretion or authority granted under the Plan be exercised, so as to disqualify the Plan under Section 422 of the Code or, without the consent of the Participant affected, to disqualify any ISO under Section 422 of the Code.

6. RESTRICTED STOCK. A Restricted Stock Award is an offer by the Company to sell to an eligible person Shares that are subject to restrictions. The Committee shall determine to whom an offer will be made, the number of Shares the person may purchase, the price to be paid (the "Purchase Price"), the restrictions to which the Shares shall be subject, and all other terms and conditions of the Restricted Stock Award, subject to the following:

6.1 Restricted Stock Awards. All purchases under a Restricted Stock Award made pursuant to the Plan shall be evidenced by an Award Agreement ("Restricted Stock Purchase Agreement") that shall be in such form (which need not be the same for each Participant) as the Committee shall from time to time approve, and shall comply with and be subject to the terms and conditions of the Plan. The offer of Restricted Stock shall be accepted by the Participant's execution and delivery of the Restricted Stock Purchase Agreement and full payment for the Shares to the Company within thirty (30) days from the date the Restricted Stock Purchase Agreement is delivered to the person. If such person does not execute and deliver the Restricted Stock Purchase Agreement along with full payment for the Shares to the Company within thirty (30) days, then the offer shall terminate, unless otherwise determined by the Committee.

6.2 Purchase Price. The Purchase Price of Shares sold pursuant to a Restricted Stock Award shall be determined by the Committee and may be at less than Fair Market Value (but not less than the par value of the Shares) on the date the Restricted Stock Award is granted. Payment of the Purchase Price may be made in accordance with Section 9 of the Plan.

6.3 Terms of Restricted Stock Awards. Restricted Stock Awards shall be subject to such restrictions as the Committee may impose. These restrictions may be based upon completion of a specified number of years of service with the Company or upon completion of the performance goals as set out in advance in the Participant's individual Award Agreement (the "Restricted Stock Award Agreement") that shall be in such form (which need not be the same for each Participant) as the Committee shall from time to time approve, and shall comply with and be subject to the terms and conditions of the Plan. Restricted Stock Awards may vary from Participant to Participant and between groups of Participants. Prior to the grant of a Restricted Stock Award, the Committee shall: (a) determine the nature, length and starting date of any Performance Period for the Restricted Stock Award; (b) select from among the Performance Factors to be used to measure performance goals, if any; and (c) determine the number of Shares that may be awarded to the Participant. Prior to the payment of any Restricted Stock Award, the Committee shall determine the extent to which such Restricted Stock Award has been earned. Performance Periods may overlap and Participants may participate simultaneously with respect to Restricted Stock Awards that are subject to different Performance Periods and having different performance goals and other criteria; provided, however that the maximum Restricted Stock Award for each Participant with respect to any Performance Period shall be thirty percent (30%) of the Shares reserved for issuance under this Plan.

7. STOCK BONUSES.

7.1 Awards of Stock Bonuses. A Stock Bonus is an award of Shares for services rendered to the Company or any Parent, Subsidiary or Affiliate of the Company. No payment for the Shares shall be required. A Stock Bonus may be awarded for past services already rendered to the Company, or any Parent, Subsidiary or Affiliate of the Company pursuant to an Award Agreement (the "Stock Bonus Agreement") that shall be in such form (which need not be the same for each Participant) as the Committee shall from time to time approve, and shall

comply with and be subject to the terms and conditions of the Plan. No payment for the Shares shall be required.

7.2 Terms of Stock Bonuses. Stock Bonus Awards shall be subject to such restrictions as the Committee shall impose. These restrictions may be based upon completion of a specified number of years of service with the Company or upon completion of the performance goals as set out in advance in the Participant's individual Award Agreement (the "Stock Bonus Agreement") that shall be in such form (which need not be the same for each Participant) as the Committee shall from time to time approve, and shall comply with and be subject to the terms and conditions of the Plan. Stock Bonuses may vary from Participant to Participant and between groups of Participants. Prior to the grant of a Stock Bonus, the Committee shall: (a) determine the nature, length and starting date of any Performance Period for the Stock Bonus; (b) select from among the Performance Factors to be used to measure performance goals; and (c) determine the number of Shares that may be awarded to the

Participant. Prior to the payment of any Stock Bonus, the Committee shall determine the extent to which such Stock Bonus has been earned. Performance Periods may overlap and Participants may participate simultaneously with respect to Stock Bonuses that are subject to different Performance Periods and having different performance goals and other criteria; provided, however that the maximum Stock Bonus for each Participant with respect to any Performance Period shall be be thirty percent (30%) of the Shares reserved for issuance under this Plan.

7.3 Form of Payment. A Stock Bonus may be paid in the form of cash, whole Shares, or a combination thereof, based on the Fair Market Value on the date of payment, either in a lump sum payment or in installments, all as the Committee shall determine, and to the extent applicable, shall be subject to such conditions or restrictions as may be required to qualify for the maximum exemption from Section 16 of the Exchange Act.

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

8. PERFORMANCE AWARDS

8.1 Performance Awards. A Performance Award shall consist of the grant to the Participant of a specified number of Performance Units (the "Performance Unit"). The grant of a Performance Unit to a Participant will entitle the Participant to receive a specified dollar value, variable under conditions specified in the Performance Award, if the performance goals specified in the Performance Award are achieved and the other terms and conditions of the Performance Award are satisfied.

8.2 Terms of Performance Awards. Performance Awards shall be evidenced by an Award Agreement (the "Performance Award Agreement") that shall be in such form

(which need not be the same for each Participant) as the Committee shall from time to time approve, and shall comply with and be subject to the terms and conditions of the Plan. Performance Awards shall be subject to such conditions as the Committee may impose. Prior to the grant of a Performance Award, the Committee shall: (a) specify the number of Performance Units granted to the Participant; (b) specify the threshold and maximum dollar values of Performance Units and the corresponding performance goals; (c) determine the nature, length and starting date of any Performance Period for the Performance Award; and (d) select from among the Performance Factors to be used to measure performance goals. Prior to the payment of any Performance Award, the Committee shall determine the extent to which such Performance Units have been earned. Performance Periods may overlap and Participants may participate simultaneously with respect to Performance Awards that are subject to different Performance Periods and having different performance goals and other criteria; provided, however, that the maximum amount of any Performance Award for each Participant with respect to any Performance Period shall be the lesser of two hundred and fifty percent (250%) of the Participant's base salary at the time of the Performance Award or one million dollars.

8.3 Form of Payment. Performance Awards may be paid currently or on a deferred basis with such reasonable interest or dividend equivalent, if any, as the Committee may determine. Payment may be made in the form of cash, whole Shares, or a combination thereof, based on the Fair Market Value on the date of payment, either in a lump sum payment or in installments, all as the Committee shall determine.

8.4 Termination During Performance Period. If a Participant is Terminated during a Performance Period for any reason, then such Participant shall be entitled to payment with respect to the Performance Awards only to the extent earned as of the date of Termination in accordance with the Performance Award Agreement, unless the Committee shall determine otherwise.

9. PAYMENT FOR SHARE PURCHASES.

9.1 Payment. Payment for Shares purchased pursuant to the Plan may be made in cash (by check) or, where expressly approved for the Participant by the Committee and where permitted by law:

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

(b) by surrender of Shares that either: (1) have been owned by Participant for more than six (6) months and have been paid for within the meaning of SEC Rule 144 (and, if such shares were purchased from the Company by use

of a promissory note, such note has been fully paid with respect to such Shares); or (2) were obtained by Participant in the public market;

(c) by tender of a full recourse promissory note having such terms as may be approved by the Committee and bearing interest at a rate sufficient to avoid imputation of income under Sections 483 and 1274 of the Code; provided,

however, that Participants who are not employees of the Company shall not be entitled to purchase Shares with a promissory note unless the note is adequately secured by collateral other than the Shares; provided, further, that the portion of the Purchase Price equal to the par value of the Shares, if any, must be paid in cash.

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

(e) by tender of property;

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

(1) through a "same day sale" commitment from Participant and a broker-dealer that is a member of the National Association of Securities Dealers (an "NASD Dealer") whereby the Participant irrevocably elects to exercise the Option and to sell a portion of the Shares so purchased in order to pay for the Exercise Price, and whereby the NASD Dealer irrevocably commits upon receipt of such Shares to forward the Exercise Price directly to the Company; or

(2) through a "margin" commitment from Participant and an NASD Dealer whereby Participant irrevocably elects to exercise the Option and to pledge the Shares so purchased to the NASD Dealer in a margin account as security for a loan from the NASD Dealer in the amount of the Exercise Price, and whereby the NASD Dealer irrevocably commits upon receipt of such Shares to forward the exercise price directly to the Company;

or

(g) by any combination of the foregoing.

9.2 Loan Guarantees. The Committee may help the Participant pay for Shares purchased under the Plan by authorizing a guarantee by the Company of a third-party loan to the Participant.

10. WITHHOLDING TAXES.

10.1 Withholding Generally. Whenever Shares are to be issued in satisfaction of Awards granted under the Plan, the Company may require the Participant to remit to the Company an amount sufficient to satisfy federal, state and local withholding tax requirements prior to the delivery of any certificate or certificates for such Shares. Whenever,

under the Plan, payments in satisfaction of Awards are to be made in cash, such payment shall be net of an amount sufficient to satisfy federal, state, and local withholding tax requirements.

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

(a) the election must be made on or prior to the applicable

Tax Date;

(b) once made, then except as provided below, the election shall be irrevocable as to the particular Shares as to which the election is made;

(c) all elections shall be subject to the consent or disapproval of the Committee;

(d) if the Participant is an Insider and if the Company is subject to Section 16(b) of the Exchange Act: (1) the election may not be made within six (6) months of the date of grant of the Award, except as otherwise permitted by SEC Rule 16b-3(e) under the Exchange Act, and (2) either (A) the election to use stock withholding must be irrevocably made at least six (6) months prior to the Tax Date (although such election may be revoked at any time at least six (6) months prior to the Tax Date) or (B) the exercise of the Option or election to use stock withholding must be made in the ten (10) day period beginning on the third day following the release of the Company's quarterly or annual summary statement of sales or earnings; and

(e) in the event that the Tax Date is deferred until six (6) months after the delivery of Shares under Section 83(b) of the Code, the Participant shall receive the full number of Shares with respect to which the exercise occurs, but such Participant shall be unconditionally obligated to tender back to the Company the proper number of Shares on the Tax Date.

11. PRIVILEGES OF STOCK OWNERSHIP.

11.1 Voting and Dividends. No Participant shall have any of the rights of a shareholder with respect to any Shares until the Shares are issued to the Participant. After Shares are issued to the Participant, the Participant shall be a shareholder and have all the rights of a shareholder with respect to such Shares, including the right to vote and receive all dividends or other distributions made or paid with respect to such Shares; provided, that if such Shares are

Restricted Stock, then any new, additional or different securities the Participant may become entitled to receive with respect to such Shares by virtue of a stock dividend, stock split or any other change in the corporate or capital structure of the Company shall be subject to the same restrictions as the Restricted Stock; provided, further, that the Participant shall have no right to retain such dividends or distributions with respect to Shares that are repurchased at the Participant's original Purchase Price pursuant to Section 13.

11.2 Financial Statements. The Company shall provide financial statements to each Participant prior to such Participant's purchase of Shares under the Plan, and to each Participant annually during the period such Participant has Awards outstanding; provided, however, the Company shall not be required to provide such financial statements to Participants whose services in connection with the Company assure them access to equivalent information.

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

13. RESTRICTIONS ON SHARES. At the discretion of the Committee, the Company may reserve to itself and/or its assignee(s) in the Award Agreement a right to repurchase a portion of or all Shares held by a Participant following such Participant's Termination at any time within ninety (90) days after the later of Participant's Termination Date and the date Participant purchases Shares under the Plan, for cash or cancellation of purchase money indebtedness with respect to Shares that are not "Vested" (as defined in the Award Agreement), at the Participant's original Purchase Price; provided, that the right to repurchase at the original Purchase Price lapses at the rate of at least 20% per year over 5 years from the date the Shares were purchased, and if the right to repurchase is assignable, the assignee must pay the Company, upon assignment of the right to repurchase, cash equal to the excess of the Fair Market Value of the Shares over the original Purchase Price.

14. CERTIFICATES. All certificates for Shares or other securities delivered under the Plan shall be subject to such stock transfer

orders, legends and other restrictions as the Committee may deem necessary or advisable, including restrictions under any applicable federal, state or foreign securities law, or any rules, regulations and other requirements of the SEC or any stock exchange or automated quotation system upon which the Shares may be listed.

15. ESCROW; PLEDGE OF SHARES. To enforce any restrictions on a Participant's Shares, the Committee may require the Participant to deposit all certificates representing Shares, together with stock powers or other instruments of transfer approved by the Committee, appropriately endorsed in blank, with the Company or an agent designated by the Company to hold in escrow until such restrictions have lapsed or terminated, and the Committee may cause a legend or legends referencing such restrictions to be placed on the certificates. Any

Participant who is permitted to execute a promissory note as partial or full consideration for the purchase of Shares under the Plan shall be required to pledge and deposit with the Company all or part of the Shares so purchased as collateral to secure the payment of Participant's obligation to the Company under the promissory note; provided, however, that the Committee may require or accept other or additional forms of collateral to secure the payment of such obligation and, in any event, the Company shall have full recourse against the Participant under the promissory note notwithstanding any pledge of the Participant's Shares or other collateral. In connection with any pledge of the Shares, Participant shall be required to execute and deliver a written pledge agreement in such form as the Committee shall from time to time approve. The Shares purchased with the promissory note may be released from the pledge on a prorata basis as the promissory note is paid.

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

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

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

19. CORPORATE TRANSACTIONS.

19.1 Assumption or Replacement of Awards by Successor. In the event of (a) a merger or consolidation in which the Company is not the surviving corporation (other than a merger or consolidation with a wholly-owned subsidiary, a reincorporation of the Company in a different jurisdiction, or other transaction in which there is no substantial change in the shareholders of the Company and the Awards granted under the Plan are assumed or replaced by the successor corporation, which assumption shall be binding on all Participants), (b) a dissolution or liquidation of the Company, (c) the sale of substantially all of the assets of the Company, or (d) any other transaction which qualifies as a "corporate transaction" under Section 424(a) of the Code wherein the shareholders of the Company give up all of their equity interest in the Company (except for the acquisition, sale or transfer of all or substantially all of the outstanding shares of the Company), any or all outstanding Awards may be assumed or replaced by the successor corporation, which assumption or replacement shall be binding on all Participants. In the alternative, the successor corporation may substitute equivalent Awards or provide substantially similar consideration to Participants as was provided to

shareholders (after taking into account the existing provisions of the Awards). The successor corporation may also issue, in place of outstanding Shares of the Company held by the Participant, substantially similar shares or other property subject to repurchase restrictions no less favorable to the Participant. In the event such successor corporation, if any, refuses to assume or substitute the Options, as provided above, pursuant to a transaction described in this Subsection 19.1, such Options shall expire on such transaction at such time and on such conditions as the Board shall determine.

19.2 Other Treatment of Awards. Subject to any greater rights granted to Participants under the foregoing provisions of this Section 19, in the event of the occurrence of any transaction described in Section 19.1, any outstanding Awards shall be treated as provided in the applicable agreement or plan of merger, consolidation, dissolution, liquidation, sale of assets or other "corporate transaction."

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

20. ADOPTION AND SHAREHOLDER APPROVAL. The Plan shall become effective on the date that it is adopted by the Board (the "Effective Date"). The Plan shall be approved by the shareholders of the Company (excluding Shares issued pursuant to this Plan), consistent with applicable laws, within twelve months before or after the Effective Date. Upon the Effective Date, the Board may grant Awards pursuant to the Plan; provided, however, that: (a) no Option may be exercised prior to initial shareholder approval of the Plan; (b) no Option granted pursuant to an increase in the number of Shares approved by the Board shall be exercised prior to the time such increase has been approved by the shareholders of the Company; and (c) in the event that shareholder approval is not obtained within the time period provided herein, all Awards granted hereunder shall be canceled, any Shares issued pursuant to any Award shall be canceled and any purchase of Shares hereunder shall be rescinded. After the Company becomes subject to Section 16(b) of the Exchange Act, the Company will comply with the requirements of Rule 16b-3 (or its successor), as amended, with respect to shareholder approval.

21. TERM OF PLAN. The Plan will terminate ten (10) years from the Effective Date or, if earlier, the date of shareholder approval.

22. AMENDMENT OR TERMINATION OF PLAN. The Board may at any time terminate or amend the Plan in any respect, including without limitation amendment of any form of Award Agreement or instrument to be executed pursuant to the Plan; provided, however, that the Board shall not, without the approval of the shareholders of the Company, amend the Plan in any manner that requires such shareholder approval pursuant to the Code or the regulations promulgated thereunder as such provisions apply to ISO plans or pursuant to the Exchange Act or Rule 16b-3 (or its successor), as amended, thereunder; provided, further, that no amendment may be made to outstanding Awards without the consent of the Participant.

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

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

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

the terms "controlled by" and "under common control with") means the possession, direct or indirect, of the power to cause the direction of the

management and policies of the corporation, whether through the ownership of voting securities, by contract or otherwise.

"Award" means any award under the Plan, including any Option, Restricted Stock or Stock Bonus.

"Award Agreement" means, with respect to each Award, the signed written agreement between the Company and the Participant setting forth the terms and conditions of the Award.

"Board" means the Board of Directors of the Company.

"Code" means the Internal Revenue Code of 1986, as amended.

"Committee" means the committee appointed by the Board to administer the Plan, or if no committee is appointed, the Board.

"Company" means Intuit, a corporation organized under the laws of the State of Delaware, or any successor corporation.

"Disability" means a disability, whether temporary or permanent, partial or total, within the meaning of Section 22(e)(3) of the Code, as determined by the Committee.

"Disinterested Person" means a director who has not, during the period that person is a member of the Committee and for one year prior to service as a member of the Committee, been granted or awarded equity securities pursuant to the Plan or any other plan of the Company or any Parent, Subsidiary or Affiliate of the Company, except in accordance with the requirements set forth in Rules as promulgated by the SEC under Section 16(b) of the Exchange Act, as such Rules are amended from time to time and as interpreted by the SEC.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Exercise Price" means the price at which a holder of an Option may purchase the Shares issuable upon exercise of the Option.

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

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

(b) if such Common Stock is publicly traded and is then listed on a national securities exchange, the last reported sale price or, if no such reported sale

takes place on such date, the average of the closing bid and asked prices on the principal national securities exchange on which the Common Stock is listed or admitted to trading;

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

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

"Insider" means an officer or director of the Company or any other person whose transactions in the Company's Common Stock are subject to Section 15 of the Exchange Act.

"Option" means an award of an option to purchase Shares pursuant to Section 5.

"Outside Director" means any outside director as defined in Section 162(m) of the Code and the regulations issued thereunder.

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

"Participant" means a person who receives an Award under the Plan.

"Performance Award" means an award of Shares, or cash in lieu of Shares, pursuant to Section 8.

"Performance Factors" means the factors selected by the Committee from among the following measures to determine whether the performance goals established by the Committee and applicable to Awards have been satisfied:

(a) Net revenue and/or net revenue growth;

(b) Earnings before income taxes and amortization and/or earnings before income taxes and amortization growth;

(c) Operating income and/or operating income growth;

(d) Net income and/or net income growth;

(e) Earnings per share and/or earnings per share growth;

(f) Total shareholder return and/or total shareholder return growth;

(g) Return on equity;

(h) Operating cash flow return on income;

(i) Adjusted operating cash flow return on income;

(j) Economic value added; and

(k) Individual confidential business objectives.

"Performance Period" means the period of service determined by the Committee, not to exceed five years, during which years of service or performance is to be measured for Restricted Stock Awards, Stock Bonuses or Performance Awards.

"Plan" means this Intuit 1993 Equity Incentive Plan, as amended from time-to-time.

"Restricted Stock Award" means an award of Shares pursuant to Section 6.

"SEC" means the Securities and Exchange Commission.

"Securities Act" means the Securities Act of 1933, as amended.

"Shares" means shares of the Company's Common Stock $0.01 par value, reserved for issuance under the Plan, as adjusted pursuant to Sections 2 and 17, and any successor security.

"Stock Bonus" means an award of Shares, or cash in lieu of Shares, pursuant to Section 7.

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

"Termination" or "Terminated" means, for purposes of the Plan with respect to a Participant, that the Participant has ceased to provide services as an employee, director, consultant, independent contractor or adviser, to the Company or a Parent, Subsidiary or Affiliate

of the Company, except 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 reinstatement upon the expiration of such leave is guaranteed by contract or statute. The Committee shall have sole discretion to determine whether a Participant has ceased to provide services and the effective date on which the Participant ceased to provide

services (the "Termination Date").

EXHIBIT 11.01

COMPUTATION OF NET LOSS PER SHARE

<TABLE>
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(in thousands, except per share data)	Ten Months Ended July 31, 1994	Twelve Months Ended July 31, 1995	1996
Primary and Fully Diluted			
<S>	<C>	<C>	<C>
Computation of common and common equivalent shares outstanding:			
Weighted average common shares outstanding	34,454	41,411	45,149
Equivalent shares issuable upon exercise of options (1)	--	--	--
Total weighted average common and common equivalent shares outstanding	34,454	41,411	45,149
Net loss from continuing operations	$(183,974)	$(44,296)	$(14,355)
Net loss from discontinued operations	--	--	(6,344)
Net loss	$(183,974)	$(44,296)	$(20,699)
Net loss per share from continuing operations	$ (5.34)	$ (1.07)	$ (0.32)
Net loss per share from discontinued operations	--	--	$ (0.14)
Net loss per share	$ (5.34)	$ (1.07)	$ (0.46)

</TABLE>

Fully diluted earnings per share are not presented on the face of the Consolidated Statement of Operations since they are identical to primary earnings per share.

(1) Dilutive shares are not included in periods with a net loss

EXHIBIT 21.01

LIST OF THE COMPANY'S SUBSIDIARIES

Entity	State/Country of Incorporation
GALT Technologies, Inc.	Pennsylvania
Interactive Insurance Services Corp.	Virginia
Intuit (Aus) Pty Ltd.	Australia
Intuit Canada Limited	Canada
Intuit Deutschland GmbH	Germany
Intuit France S.A.	France
Intuit Ltd.	United Kingdom
Intuit Netherlands B.V.	Netherlands
Intuit S.A.	France
Intuit Services Corporation	Delaware
Milkyway K.K.	Japan
Parsons Technology, Inc.	California
Quicken Investment Services, Inc.	Delaware

EXHIBIT 23.01

CONSENT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statements (Form S-8 No. 33-05948, No. 073222, No. 095040 and No. 33-06889) pertaining to the Intuit Inc. 1993 Equity Incentive Plan of our report dated September 6, 1996 (except for Note 12, as to which the date is September 18, 1996), with respect to the consolidated financial statements and schedule of Intuit Inc. included in this Annual Report (Form 10-K) for the year ended July 31, 1996.

/s/ ERNST & YOUNG LLP

Palo Alto, California
October 22, 1996

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