

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED JULY 31, 1997

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

COMMISSION FILE NUMBER 0-21180

INTUIT INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

<TABLE>
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DELAWARE	<C>	77-0034661
(STATE OF INCORPORATION)		(IRS EMPLOYER IDENTIFICATION NO.)

</TABLE>

2535 GARCIA AVENUE, MOUNTAIN VIEW, CA 94043
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES, INCLUDING ZIP CODE)

(650) 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 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.

As of September 30, 1997, there were 47,192,154 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 \$1,274,222,898.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive Proxy Statement for its Annual Meeting of Stockholders to be held in January 1998 are incorporated by reference into Part III of this report on Form 10-K.

FISCAL 1997 FORM 10-K
INTUIT INC.

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PART I

ITEM 1. BUSINESS

INTRODUCTION

We have written our fiscal 1997 Form 10-K in "plain English." This is consistent with Intuit's mission to revolutionize the way people manage their financial lives. One of the ways we accomplish this is by helping people eliminate the unnecessary complexity of financial information. While we can't eliminate all of the complexity of Intuit's business and finances, we think the ordinary words used in our Form 10-K will enable readers to understand Intuit more easily than the complicated language normally found in 10-Ks. Please let us know your reactions by contacting our Investor Relations Department at (650) 944-2713.

OVERVIEW OF INTUIT'S BUSINESS

Intuit's mission is to revolutionize the way individuals and small businesses manage their finances. To achieve this goal, we create, sell and support small business accounting, tax preparation and consumer finance desktop software products, financial supplies (such as computer checks, invoices and envelopes), and Internet-based products and services. We sell our products throughout North America and in many international markets. Our fiscal year ends on July 31 of each year.

Fiscal 1997 was a year of transition for Intuit. Although our mission remains unchanged, the ways we accomplish it are changing. Industry-wide retail sales of personal finance software are declining. Customer demands are changing rapidly. Competition is intensifying. The Internet is a pervasive force that is reshaping our business and providing new challenges and opportunities. During fiscal 1997, we made some major changes to our business strategy in response to these trends.

During the past few years we made several acquisitions and investments to expand our business and sold two businesses that no longer support our corporate strategy. In January 1996 we acquired Milkyway KK, a provider of PC-based small business accounting software in Japan. In June 1996 we acquired Interactive Insurance Services Corp. (or "IIS"), developer of our Quicken InsureMarket(SM) website. In September 1996 we acquired GALT Technologies Inc. developer of the mutual fund information service now incorporated in our Quicken.com(TM) website. In March 1997 we acquired Nihon Micom Co. Ltd., a Japanese small business accounting software company. In June 1997 we made a \$39.2 million strategic investment in Excite, Inc. In January 1997 we sold Intuit Services Corporation (or "ISC"), our banking and bill payment processing subsidiary, to Checkfree Corporation. In August 1997 (after the end of fiscal 1997) we sold Parsons Technology, Inc., our direct marketing consumer software subsidiary, to Broderbund Software, Inc. These transactions have had, and will continue to have, a significant impact on our financial results. For more details about these transactions and their impact, see Notes 2, 3 and 15 to our financial

statements beginning on page 29 and "Management's Discussion and Analysis of Financial Condition and Results of Operations" (also called "MD&A") beginning on page 40.

CAUTIONS ABOUT FORWARD-LOOKING STATEMENTS

This Form 10-K includes "forward-looking" statements about future financial results, future products and other events that have not yet happened. For example, statements like "we expect" or "we anticipate" are forward-looking statements, and most of the information in the paragraphs in the Business section labeled "Fiscal 1998 Plans" is forward-looking. Investors should be aware that actual results may differ materially from our expectations because of risks and uncertainties about the future. In addition, we will not necessarily update the information in this Form 10-K if any forward-looking statement later turns out to be inaccurate. Details about risks affecting various aspects of our business are included throughout this Form 10-K. Investors should read all of these risks carefully, and should pay particular attention to risks affecting the following areas: Timing of product launches (pages 4-5). Our Internet-based businesses (page 3). Customer service and technical support (page 12). Competition (page 10). The business model for online financial services (page 6). Regulatory changes (page 13). Acquisitions (page 41). International operations (page 7). The

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value and size of our equity investments in other companies (Note 1 of the financial statements, page 27, and MD&A, page 45). Market growth and sales of new products and upgraded products (pages 8-10).

CORPORATE BACKGROUND

Intuit began operations in March 1983 and was incorporated in California in March 1984. In March 1993 we reincorporated in Delaware. Our principal executive offices are located at 2535 Garcia Avenue, Mountain View, California, 94043, and our telephone number is (650) 944-6000. When we refer to "we," "Intuit" or the "Company" in this Form 10-K, we mean the current Delaware corporation (Intuit Inc.) and its California predecessor, as well as all of our consolidated subsidiaries.

BUSINESS AND PRODUCTS

PRODUCTS AND SERVICES OVERVIEW

We offer products and services in the following areas:

- Small business accounting software, financial supplies and related services
- Personal, professional and small business tax preparation software and related services
- Consumer finance software and related services
- International (selected small business, tax and consumer finance products in more than 20 countries)

INTERNET STRATEGY

Overview. During fiscal 1997, we have been focusing our efforts in three strategic directions. Two of these directions -- expanding our small business offerings, and adding online connectivity to our tax and personal finance desktop software -- are extensions of the businesses that have historically represented the majority of our revenue. Our third strategic effort is to establish a "community" of new Internet-based resources and businesses. We believe that the dramatic growth of the Internet and the World Wide Web will eventually give us significant opportunities to grow our business over the next several years -- although it also presents major risks and challenges. Our current Internet strategy includes integrating online, Web-based resources into many of our desktop software products, putting desktop software functionality onto the Internet, investing in new, entirely Web-based businesses in the financial services area, and establishing strategic relationships, such as our relationship with Excite, Inc. (see page 7). Given the rapidly changing nature of the Internet, we expect to update our strategy over time. Fiscal 1997 Internet-based revenue was well under 5% of our total revenue, but we made significant progress during fiscal 1997 in refining and implementing our Internet strategy.

In September 1996 we took an important step in implementing our Internet strategy when we announced that we would move from a proprietary electronic communications link between our software and financial institutions, to an Internet-based link. This means that financial service providers could electronically connect directly through the Internet to their customers who use Intuit products, instead of through our private data network operated by our former ISC subsidiary. As part of this strategic step, we sold ISC to Checkfree in January 1997 (see Note 3 of the financial statements, page 31). In February

1997, we announced we would collaborate with several other parties (including Microsoft Corporation and Checkfree) to merge our efforts in a jointly developed standard called Open Financial Exchange. Open Financial Exchange is an integrated collection of technical specifications and protocols designed to make it easier and less expensive for a wide range of financial service providers, such as banks, brokerage firms, mutual fund companies, insurance companies and mortgage brokers, to build links for electronic financial data exchange and communications with their customers using the Internet. While we believe that Open Financial Exchange is the right strategic approach for Intuit, we face risks and challenges in implementing it. Open Financial Exchange is a new, unproven technology. Financial institutions may not accept and implement Open Financial Exchange as rapidly as we would like, or they may adopt alternative connectivity standards that may or may not support interoperability with Open Financial Exchange. In October 1997, we announced a joint development effort

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with Integrion Financial Network (a consortium of retail banks that developed the Gold Standard connectivity specification) to develop technology that will allow users of Intuit software to connect to financial institutions that support the Integrion platform.

Internet-Based Products and Services. The growth of the Internet and the World Wide Web provides us opportunities in three areas. First, more households are now connected to the Internet, so we have a greater market for online financial services such as banking and downloading of financial account information. When we talk about Internet-based financial services, we're including online banking, even though some of our online banking currently operates through a private data network rather than through the Internet. Second, we can create "marketspaces" that bring together buyers and sellers of complex financial products and services in a way that benefits buyers and sellers, and that can generate revenue for us through advertising and marketing service fees. Third, we can leverage the "community" nature of online services to help consumers share ideas and information and give them greater confidence in making financial decisions.

During fiscal 1996 and 1997, we invested significant resources to lay some of the groundwork for establishing these new businesses. We worked on Open Financial Exchange (see page 2) and we are integrating it into our products beginning in the fall of 1997. Several desktop products we plan to release in fiscal 1998 will have imbedded Web "browser" software to make Web access easier. We have formed relationships with financial institutions to allow our customers to receive data from them electronically. We made progress in our marketspaces effort through our acquisitions of IIS and GALT (see page 1). We expect to launch QuickenMortgage(SM), our consumer mortgage service, in fiscal 1998. We expanded the software products and financial information available on our Quicken.com website, and we negotiated distribution arrangements with Excite and Microsoft to enable our Web-based offerings to reach a broader audience. Our Web offerings are described in more detail beginning on page 6.

Risks for Our Internet-Based Businesses. In spite of our progress, investors should be aware that fiscal 1997 Internet-based revenue was well under 5% of our total revenue. We expect these businesses to grow in absolute dollars, but we can't predict if or when they will generate significant revenue or profits. We face many risks and challenges in this area, including the following: The Internet represents a new business model for Intuit, where revenues are expected to come from advertising and marketing service fees instead of software product sales. In order to generate significant revenue from these sources, at a minimum we need to dramatically increase consumer traffic to our websites. This may require establishing additional strategic relationships, such as our relationship with Excite. We may not be able to establish these relationships, and if we do, they may not bring significant increased traffic to our websites. We also need to quickly and successfully build new skills as a website content provider and publisher, which are somewhat different from our traditional desktop software development skills. Customers may refuse to transact business over the Internet due to privacy or security concerns. A major breach of customer privacy or security, even by another company, could have a significant negative effect on Intuit. We can't be certain that consumers' use of the Internet, particularly for commercial transactions, will continue to increase as rapidly as it has during the past few years. If Internet activity becomes heavily regulated, that could have major consequences for our Internet businesses. We face intense competition in our Internet-based businesses. There are very low barriers to entry, and the market is extremely fragmented, making it difficult for any one company to acquire a "critical mass" of customers. Many of Intuit's competitors can afford large investments in this business. We may be unable to adapt our operational infrastructure to support our Internet-based businesses and the complex operational requirements of our strategic relationships. The operational requirements for online businesses are very different from the requirements of our desktop software business.

SMALL BUSINESS ACCOUNTING SOFTWARE, FINANCIAL SUPPLIES AND RELATED SERVICES

QuickBooks(R). Our QuickBooks product brings extensive bookkeeping capabilities to small business users in an easy-to-use design that does not require customers to be familiar with debit/credit accounting. 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.

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QuickBooks Pro(R). QuickBooks Pro is an enhanced version of QuickBooks that addresses the needs of small businesses in the U.S. that are project, job or time based, such as contractors, consultants, lawyers, accountants and subcontractors. QuickBooks Pro allows users to integrate time tracking, job estimating and project costing with accounting and payroll functions.

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

Financial Supplies. We offer a range of financial supplies designed for use with our small business and consumer finance desktop software products. Supplies include professional-quality paper checks, invoice forms, envelopes, deposit slips and return address stamps. These products help users to save time and automate transactions and record keeping. In September 1995, we entered into an exclusive five-year contract with John H. Harland Co. to print all of our check products. We believe our relationship with Harland is good. However, if for any reason Harland can't provide checks on a timely basis, it could have a material negative impact on sales of supplies and on Intuit as a whole.

Fiscal 1997 Overview. During fiscal 1997, our QuickBooks business expanded its installed customer base significantly. We expanded our fee-for-support program, called the QuickBooks Support Network, to generate revenue from our technical support services. We also introduced our QuickBooks "professional adviser" program, in which preferred QuickBooks customers provide assistance and advice to other QuickBooks users. These advisers have been a source of product referrals for us, and we hope to expand this program during fiscal 1998.

Our financial supplies business benefited from the growth of our small business customer base. During the year we improved order accuracy and transmitted a higher percentage of orders to Harland (our check printer) electronically. These steps allowed us to improve customer satisfaction and reduce costs because of fewer errors and reorders, faster order turnaround, and lower order fulfillment costs. At the end of fiscal 1997, we began developing a website that will enable customers to order supplies on-line.

Fiscal 1998 Plans. We recently announced that we are working on a multi-user version of QuickBooks. This new product will address an important customer need, so we think it represents a good business opportunity. However, there are a number of risks we face in capitalizing on this opportunity. We currently expect that the product will be available by the end of fiscal 1998. However, if the launch date slips (which is possible given the uncertainties of complex software development), that could have a significant negative impact on our revenue and net income for fiscal 1998. Providing technical support for this new product will present challenges as we don't have experience supporting multi-user products, and all new products have a risk of "bugs." Higher technical support costs could negatively affect our operating results.

PERSONAL, PROFESSIONAL AND SMALL BUSINESS TAX PREPARATION SOFTWARE AND SERVICES

We offer a broad range of tax preparation software for individuals, tax professionals and small businesses. Our tax business has been a fairly predictable source of recurring revenue, because tax products must be updated every year to reflect tax law changes, and customers generally buy the latest version every tax year. Our tax business is also very seasonal, with almost all revenue occurring during our fiscal quarters ending January 31 and April 30.

Personal Tax Products. Our TurboTax(R) products (for Windows) and MacInTax(R) products (for the Macintosh) are designed for individual consumers who prepare their own tax returns. We have products for federal tax returns as well as for the 45 states that have a state income tax. Our tax products are designed to be easy to use even for inexperienced computer users, but they're sophisticated enough for more complicated tax returns. Our tax products also allow customers to transmit federal tax returns and some state returns for electronic filing.

Professional Tax Products. Our ProSeries(R) products are designed for tax professionals who prepare tax returns for their individual and business clients. While they have many of the same ease-of-use features as our personal tax products, our professional products have additional features that enhance the productivity of tax

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professionals. Our ProSeries products can be used to prepare individual, corporate, partnership, fiduciary and not-for-profit federal income tax returns, as well as many comparable state returns.

Small Business Tax Products. For small business owners that prepare their own business tax returns, we offer TurboTax for Business and MacInTax for Business. We have separate products for federal and some state S corporations, C corporations and partnerships, plus products for sole proprietors. TurboTax for

Business can import data directly from QuickBooks and other leading accounting software programs.

Electronic Filing. Users of Intuit's personal and professional tax preparation software can file their federal (and some state) tax returns electronically. Total electronic filings for all of our tax products were about 600,000 in fiscal 1997, and we expect that the number will increase over the next few years. We currently provide electronic filing services through third party vendors, and the fee we charge to customers essentially covers our costs. However we are working on our own electronic filing technology that will reduce our cost of providing this service. We used this internally-developed technology on a test basis in fiscal 1997.

Other Internet-Based Tax Products and Services. In fiscal 1997 we introduced an online personal tax product that allows customers to prepare and file their Form 1040EZ tax returns entirely online. Only a small number of customers used 1040EZ online during fiscal 1997, but we think consumer demand for online tax preparation will increase in the future. Our tax business is also making use of the Internet to distribute tax products electronically for customers who buy their tax software directly from Intuit. This reduces our distribution cost and gets products to customers faster and more conveniently. We are also increasingly using the Internet to provide customer service and technical support and to deliver updates and corrections for tax products.

Fiscal 1997 Overview. During fiscal 1997, we improved the quality of our products and of our technical support, and the demand for electronic filing increased. Total fiscal 1997 tax revenue reflected strong growth in direct sales. However, we encountered strong competition in the personal tax area from H&R Block's TaxCut product, which hindered retail sales growth.

Fiscal 1998 Plans. The primary challenge for our tax business in fiscal 1998 will be to execute a timely launch of high-quality products that reflect all of the federal tax changes passed by Congress in July 1997. Major tax law changes have historically contributed to industry-wide growth in tax software sales, and we hope that will occur with the July 1997 tax law changes. However, incorporating extensive tax law changes into the software on a tight time schedule can lead to errors in the software. Our development schedules depend on timely availability of new IRS forms, instructions and publications, which we cannot control. If we have major errors in our tax products, or if there are major delays in our product launches, fiscal 1998 financial performance of the tax business and of Intuit as a whole would be negatively affected. See page 9 for more information about developing tax products.

During fiscal 1998, we plan to expand use of our internally-developed electronic filing service. However, as our electronic filing program expands, so will the risks involved. For example, if we have technical problems that prevent customers from filing their returns, particularly right before the April 15 filing deadline, we could face serious financial and public relations consequences. During fiscal 1998, we also plan to expand our online tax preparation software offerings.

CONSUMER FINANCE SOFTWARE AND SERVICES

During fiscal 1997 the Internet had a profound impact on our consumer finance business as we shifted our focus to Internet-based products and services -- including Internet-based features in our desktop software.

Quicken(R) -- Desktop Features. Our Quicken desktop software products help users organize, understand and manage their personal finances by providing easy methods for recording and categorizing various types of financial transactions. For example, Quicken enables customers to reconcile checking and savings accounts, record credit card purchases and payments, and track cash, investments, mortgages and other assets and liabilities.

Quicken(R) -- Online Banking and Other Internet-Based Features. During the past few years, we have been adding Internet-based features to Quicken. In 1995 and 1996, we added Internet navigation software to

Quicken, gave customers access from within Quicken to what is now called our Quicken.com website, and offered Quicken users low-cost Internet access through a third-party Internet service provider. Quicken also allows customers to schedule bill payments through online payment services. Although we no longer provide online bill payment directly since we sold our ISC subsidiary, we continue to market and resell bill payment services offered either by Checkfree or directly by participating financial institutions.

In our fall 1995 launch of Quicken, we introduced online banking features in Quicken, which allow users to download transaction and account information from participating financial institutions directly into their Quicken accounts, instead of inputting data manually. We currently have about 45 financial institutions participating in our online banking service. During fiscal 1997, the business model for our online banking business changed dramatically. Before we sold our ISC subsidiary to Checkfree in January 1997, ISC performed all of

the data processing for our online banking services, and we received monthly per-subscriber fees from participating financial institutions. With the sale of ISC, we no longer provide processing services, so we no longer receive monthly per-subscriber fees. What we now provide to participating financial institutions is marketing services and the opportunity to acquire Quicken users as new customers. Financial institutions can purchase advertising within Quicken and on Quicken.com, and may also purchase other marketing services. We can't predict if or when this new business model will generate significant revenue. In addition, the transition of ISC's processing business to Checkfree is ongoing and we can't be certain that the transition will be successfully completed.

BankNOW (TM). In September 1996 we introduced our BankNOW software, which enables America Online subscribers to perform basic online banking functions, such as checking account balances and transferring funds between accounts, independently of any personal finance software (such as Quicken). In 1997 we introduced an Internet-based version of BankNOW to reach a broader customer base. We don't currently receive any subscriber or transaction fees from customers or financial institutions who use BankNOW, but we offer BankNOW as part of our effort to encourage banks to provide electronic connectivity for Intuit customers.

Quicken Financial Planner (TM). With our Quicken Financial Planner product, a customer can create a personal financial and retirement plan based on his or her current financial profile and financial and retirement goals. We also offer a simplified, online version of this product, called the Quicken Retirement Planner, on Quicken.com. In 1997 we introduced Fidelity QFP, which was specifically designed for customers who have 401(k) retirement plans with Fidelity Investments. Our QFP products are offered by Quicken Investment Services, Inc., which is a registered investment adviser subsidiary (see page 13).

Quicken.com. Quicken.com (formerly Quicken Financial Network) is our community website, and it's designed to enable people to make better financial decisions and perform financial tasks more easily by giving them useful tools, software applications, resources and objective information about a variety of personal finance topics in one location. Quicken.com also acts as a vehicle for distributing many of our Internet-based products and services. Some of the content on Quicken.com is created by Intuit, and some is provided for us by third party publishers and financial experts. Users can access Quicken.com through versions of Quicken that have Web navigation software, as well as through any Internet service provider and Internet browser software. We do not currently charge customers a fee to access Quicken.com, but we receive revenue from companies that advertise and sell their products or services on Quicken.com. We also receive fees relating to some of the specific services that are available through Quicken.com, such as Quicken InsureMarket.

By the end of calendar 1997, we expect that Quicken.com will have "channels" for Investments, Tax, Insurance, Home/Mortgage and other financial areas. The Investments channel has evolved from the NETworth(R) site originally created by GALT, which we acquired in 1996. It includes portfolio tracking, investment research tools, stock and mutual fund quotes and information and other investment-related content. Other channels will provide relevant information and tools about other financial topics. Certain channels will have direct links to related websites. For example, the Insurance channel will link to Quicken InsureMarket (described below.) On each channel, consumers will be able to have live interactive discussions with other Quicken.com users, post their comments about financial topics on bulletin boards, and participate in discussions about financial topics led by financial experts.

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Quicken InsureMarket. Quicken InsureMarket is a website that enables customers to shop for term life insurance, contact insurance agents and learn about other insurance products online. We receive initial implementation fees and ongoing annual participation fees from insurance carriers who participate in the Quicken InsureMarket site, and some carriers pay us fees for data processing and other administrative services. As of October 1997, nine insurance carriers were participating in the Quicken InsureMarket site. Quicken InsureMarket is offered by our IIS subsidiary, which is subject to state insurance regulations (see page 13).

Fiscal 1997 Overview. Fiscal 1997 was a year of transition and refocus for our consumer finance business. The market for traditional desktop personal finance software is declining as customers are using the Internet for many personal finance tasks. While our Quicken products have been negatively affected by this trend, our Internet strategy is designed to take advantage of it. We made progress in implementing our Internet strategy during fiscal 1997, but these changes have not yet had a significant positive impact on our financial performance. Investors should be aware that Internet-based revenue during fiscal 1997 was substantially less than 5% of our total revenue. Although we think this will increase in fiscal 1998, we can't predict if or when these sources will generate significant revenue.

In June 1997 we announced an agreement with Excite to jointly develop, promote and distribute a new online financial channel. Excite is a leading provider of

Internet search and navigation services, with about 2.5 million users daily. Intuit will be the exclusive provider and aggregator of personal financial content for all of Excite's Internet services. Excite will provide hosting as well as advertising sales services and software services, and will become the exclusive search and navigation service promoted in our Quicken, QuickBooks and TurboTax products. This channel is expected to include financial information and services designed to help consumers organize and manage their personal financial lives and make more informed financial decisions. We anticipate that the channel will premiere during calendar 1997. We expect that this agreement with Excite will help us increase the customer base for our Internet-based products and services and will eventually generate revenue for Intuit and Excite from a combination of advertising, transaction and subscription fees, but we can't be certain if or when we will see these benefits. In addition, in June 1997 we invested \$39.2 million for a 19% equity interest in Excite. See Note 4 of the financial statements, on page 31.

Fiscal 1998 Plans. Our fall 1997 Quicken products will have new investment-related features, including a feature that will allow Quicken users who are customers of participating brokerage firms to download brokerage account data and execute securities trades through their broker's website. Quicken customers will also have easier access to the World Wide Web, as Microsoft's Internet Explorer Web browser will be imbedded in Quicken and other Intuit desktop software. In addition, our Quicken.com site will be a "channel" on Microsoft's new Active Desktop product. We will also be launching a new product in fiscal 1998 called Quicken Home & Business, which is designed to serve small business owners that currently use personal finance software, rather than software designed specifically for small businesses. During fiscal 1998, we plan to expand the products and services available on our Quicken.com "channels" described above. We expect to launch QuickenMortgage, a mortgage service that will enable consumers to shop for home mortgages online. We also expect to expand Quicken InsureMarket to allow consumers to shop for additional types of insurance, such as auto insurance. Our new businesses involve many uncertainties (including possible delays in launching them), so we don't know if they will be successful.

During the next few years, our primary goals for our Internet-based businesses will be to increase customer traffic, establish strategic relationships and achieve participation by a broad range of financial institutions in the financial products and services we offer. Investors should be aware that any initial success achieved in these areas will not necessarily be reflected in successful financial performance. See page 3 for more information about the risks related to our Internet-based businesses.

INTERNATIONAL

Our international operations are divided into three regions: Europe, Japan and the Pacific. We believe our international operations will give us opportunities to expand in existing markets and reach new markets over the next several years. See MD&A, page 42 for financial information about our foreign operations.

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European Region. We serve selected European markets and South Africa with localized versions of our products through our offices in Germany, France and the United Kingdom. We currently offer Quicken in France, Germany, Spain, the United Kingdom, Austria and South Africa, and we offer QuickBooks in Germany and the United Kingdom. We also offer small business accounting products in France that were developed by Somma France S.A.R.L., a small business accounting software company that we acquired in February 1997 (see Note 2 of the financial statements on page 31). We sell personal tax products in France, Germany and the United Kingdom.

Most of our sales in the European region are through distributors, who sell into the retail channel. In September 1997 we entered into an equity, localization, manufacturing and distribution arrangement with Intuit Services Europe N.V., a Dutch company with headquarters in Switzerland (not an Intuit subsidiary). Intuit Services Europe will help us distribute Quicken through banking channels in France, Germany and the United Kingdom, and will develop Quicken products for several new European markets.

Japan Region. Our Japanese operations are now managed by our Intuit KK subsidiary. Intuit KK combines the businesses of Milkyway KK (which we acquired in January 1996) and Nihon Micom (which we acquired in March 1997), and it is now the largest Windows-based small business accounting software company in Japan. We currently offer products developed by Milkyway and Nihon Micom, and we expect to eventually offer QuickBooks products in Japan also. We sell products in Japan through both retail and direct channels.

Pacific Region. Our Pacific region includes Canada, Australia, Latin America, Hong Kong and other parts of Southeast Asia. We offer Quicken in Canada, Australia, Hong Kong, the Philippines and Singapore, as well as several Latin American countries (including Mexico, Brazil, Colombia and Argentina). We offer QuickBooks in Canada, Australia and Hong Kong. We also offer our QuickTax(TM) personal tax product in Canada and Australia. We sell products in the Pacific region through both retail and direct channels.

Fiscal 1997 Overview and Fiscal 1998 Plans. During 1997 our European region launched new Quicken products in France, Germany and the United Kingdom, and a new QuickBooks product in the United Kingdom. In June 1997 we announced that we would reorganize our European region to consolidate management operations for our core European markets (France, Germany and the United Kingdom) in our German headquarters in Munich. We'll continue to have sales and marketing offices in France and the United Kingdom. We also announced that we plan to outsource all European customer service, technical support, manufacturing and order fulfillment functions to third party vendors. We expect that these steps will lead to more efficient operations in fiscal 1998. In fiscal 1997 we established a presence in several key markets in Southeast Asia, including Hong Kong and the Philippines, where we hope to benefit from increasing adoption of home computers.

Special Risks for International Operations. We intend to continue expanding our international operations, but we can't be certain that our efforts will lead to increased revenue or profits in international markets or for Intuit as a whole. Developing products for foreign markets is more time-consuming and costly than developing products for the U.S. market. Delays or other problems in product launches may be more likely because of these factors, and they can impact our financial performance. For example, our German subsidiary experienced delays in two critical product launches in fiscal 1996 that resulted in excess inventory levels in the distribution channel. Economic conditions in international markets can also negatively affect our business as they did in fiscal 1996 when there was general weakness in European consumer software markets. Our international revenue and expenses are currently denominated in a variety of foreign currencies and we don't currently engage in any hedging activities. Although the impact of currency fluctuations has not been significant in the past, this could change in the future as our international operations grow, and it could have a negative impact on our operating results and financial condition. Other risks in our international operations could also have a negative impact on our business, including unexpected changes in regulatory requirements, tariffs and other trade barriers; longer accounts receivable payment cycles and collection difficulties; the burden of complying with a wide variety of foreign laws (including financial reporting and record-keeping requirements); possible adverse tax consequences including repatriation of earnings; and potentially less protection for our intellectual property rights under foreign laws.

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PRODUCT DESIGN AND DEVELOPMENT

We believe that successful products must be easy to use and must respond to customers' specific needs and use patterns. We design new products and enhancements based on consumer input and then have actual users conduct field tests and give us feedback. Once products are released, we continue to seek customer input to incorporate in product enhancements and upgrades. A primary goal of our desktop software product development efforts is to design products that will stimulate additional sales to existing customers -- either upgrades of products they already own or new products. We also develop products that generate recurring revenue, such as our tax preparation products, which customers generally buy every year. For our Web-based development efforts, a major goal is to generate traffic to our websites, in order to generate advertising revenue and customers for our marketplaces such as Quicken InsureMarket. Our total research and development expenses were \$57.3 million in fiscal 1995, \$76.5 million in fiscal 1996 and \$93.0 million in fiscal 1997.

We remind investors that the software development process is complex and involves some risks for Intuit. Our products may have "bugs" that hinder product performance, give customers incorrect results and/or damage customer data. These problems can be expensive to fix, particularly if we need to do a major maintenance release or pay refunds to customers. Poor product quality can cause us to lose revenue and customers, and incur higher technical support costs. Any major product bugs could have a material negative effect on our financial performance. In addition, investors should also keep in mind that only a small percentage of new software products achieve any degree of sustained market acceptance.

The development of tax preparation software presents a unique challenge because of the demanding annual development cycle required to incorporate tax law changes each year. We can't predict how complex the tax law changes will be each year, or when tax forms will be available from the IRS and state tax agencies. The rigid development timetable increases the risk of errors in the products. Although fiscal 1997 tax product quality was high, in fiscal 1995 and 1996 we had software defects that led to negative publicity, customer dissatisfaction and incremental operating expenses.

As we expand our Internet-based businesses, we expect that customers will be concerned about privacy and security of the personal information they provide when using products and services. We currently incorporate extensive security measures into our products and services, and we are developing a comprehensive customer privacy policy. However, a major breach of customer privacy or security, even by another company, could have a negative effect on Intuit.

MARKETS

We use a variety of marketing approaches to sell our products and services into the markets we serve through our retail and direct sales organizations. The markets that we compete in, particularly in the Internet area, are characterized by rapidly changing customer demands, continuous technological changes and improvements, shifting industry standards and frequent new product introductions by other companies. Changes in any of these areas can quickly render existing products obsolete, so our marketing success depends on our ability to respond rapidly to these changes with new products and services, as well as improvements to existing products and services. One way that we're attempting to respond to market changes is our Internet strategy (described on page 2).

RETAIL SALES

We market our desktop software in North America through traditional retail software outlets, computer superstores, office and warehouse clubs and general mass merchandisers. Retail sales revenue represented slightly less than half of total gross revenues during fiscal 1995 and 1996. In fiscal 1997, the percentage declined to about 40%, reflecting declines in retail sales of Quicken, as well as a shift towards a higher percentage of direct sales for TurboTax. We sell directly to some retailers and we also sell to distributors who then resell to retailers. The only retailer or distributor that accounted for more than 10% of our net revenue

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during the past three fiscal years was Ingram Micro Inc. (12% in 1995, 13% in 1996 and 14% in 1997). We also have retail distribution arrangements with banks and other financial institutions for our electronic financial services, and for our desktop software that includes these services. For example, our BankNOW, Quicken and QuickBooks products are marketed through participating banks, and Fidelity Investments markets Fidelity QFP financial planning software.

During the past few years, there has been increasing consolidation among retailers. This trend has created a number of large retailers with significant bargaining power, which makes it more difficult for us to negotiate financially favorable terms. We expect this consolidation trend to continue in fiscal 1998.

An element of our retail sales efforts that has been important over the last several years is our original equipment manufacturer, or "OEM," relationships with hardware and software manufacturers. We sell our software to OEMs to be combined with their products, which are then sold to consumers. Initially, most of our OEM sales were special, limited feature editions of Quicken, but more recently we have been selling regular full-feature Quicken to OEMs. The sale prices we receive for OEM sales are much lower than retail or direct sale prices. Although OEM sales generate little revenue for us and reduce operating margins in the short term, they have been strategically important because they have been a good source of new customers, with the potential for future sales of more profitable products and services. OEM sales have been particularly important for our Quicken business in responding to competitive pressures. However, given the adverse impact of OEM sales on revenue and profitability, we are also using other methods (such as our Web-based businesses) to acquire new customers.

DIRECT SALES

We believe that direct sales campaigns stimulate retail demand and increase consumer awareness of our products, while also generating orders and providing opportunities for cross-selling. Direct sales frequently generate significantly higher revenues and margins than retail sales, but this also means that aggressive retail pricing can harm direct sales efforts. We use targeted direct-mail and telephone solicitations, direct-response newspaper and magazine advertising, and television and radio advertising to encourage direct sales. During fiscal 1997, our Parsons subsidiary was a major source of direct sales for us, since almost all of their products were sold direct to customers (see MD&A, page 43).

Customers can order and receive products electronically through the Quicken Store, which is accessible through Quicken.com and other Intuit websites. Electronic ordering and delivery are convenient for customers and less expensive for Intuit. We saw a significant increase in online orders and deliveries during fiscal 1997. Although they accounted for less than 1% of revenue in fiscal 1997, we anticipate that they will continue to increase.

PRODUCT RETURNS

Like most other software companies, we have a generous return policy for our distributors and retailers, although we encourage them to make returns promptly. We have an unconditional return policy for direct customers. In the past, returns have not generally exceeded the reserves we have established for them in our financial statements. However, if in the future retail sell-through of a major product falls significantly below expectations, returns could exceed

reserves and could have a negative effect on our financial performance.

COMPETITION

OVERVIEW

We face intense competition from many companies in almost all of the markets in which we compete -- both domestic and international. Some of our major competitors (but not all of them) in each business area are identified below. We think the most important competitive factors for desktop software are product features, ease of use, quality and reliability, brand name, timing of product launches compared to competitors, price, access to distribution channels and quality of technical support services. In our Internet-based products and services, our speed in getting new products and services out, and our ability to distribute them effectively (by generating traffic on our websites) are the most critical factors for competitive success, although our strong

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Quicken brand, product features and ease of use are also important to help generate traffic. Strategic relationships are also important for generating and distributing a wide variety of Web-based content to a large audience. We believe we generally compete effectively on each of these competitive factors, although our competitive position for any particular factor varies from product to product and over time.

Some of our competitors have significantly greater financial, technical and marketing resources and broader product lines than we do. Customer demands change rapidly, and we have to respond quickly, with new products and accelerated product release schedules, to remain competitive. This is particularly true in our Internet-based businesses, where product and service launches happen continuously. Actions taken by our competitors, such as cutting prices, increasing advertising (especially advertising targeted at our customers) and releasing new products before we do, can have a negative impact on revenue and profitability, and can hinder our ability to keep existing customers and acquire new customers.

SMALL BUSINESS ACCOUNTING SOFTWARE AND SERVICES

Our major competitors in small business accounting software are currently Peachtree Software (a division of ADP) and The Sage Group PLC (based in the United Kingdom). Because Peachtree's products use standard debit/credit accounting principles, we think our QuickBooks products have a competitive advantage in ease of use for customers unfamiliar with accounting principles. Peachtree offers a multi-user accounting software product that will compete with the new multi-user version of QuickBooks that we plan to release in late fiscal 1998. Sage is currently our major competitor in Europe. Microsoft recently announced that it will offer versions of Microsoft Money targeted to the small business market in Europe, so we expect that they will begin to be a major competitor there in fiscal 1998.

Our financial supplies business competes with a number of business forms companies, such as Deluxe Business Systems, New England Business Services and Moore Business Forms. We're also seeing increased competition from the direct mail check printers that now offer computer checks, as well from banks. Our major competitive advantages in this market are our direct access to Intuit's customer user base (through in-box advertising), product quality, speed of delivery and guaranteed compatibility with Intuit software products, but we can't guarantee continued competitive success.

PERSONAL, PROFESSIONAL AND SMALL BUSINESS TAX PREPARATION SOFTWARE AND SERVICES

In the personal tax area, our major competitor is currently Block Financial Corporation, the makers of TaxCut software. During fiscal 1997, TaxCut was priced very aggressively, and was released a little earlier than our personal tax products. As a result, even though our total sales of TurboTax grew significantly, our growth rate was lower than the growth rate of industry-wide retail sales of personal tax software. We expect that TaxCut will continue to offer aggressive competition in fiscal 1998. The professional tax preparation market is highly fragmented. Competitors in the U.S. include Arthur Andersen, Lacerte Software Corporation, Commerce Clearing House/Computax, RIA/Creative Solutions, Pencil Pushers, Inc. and CLR Fast-Tax. Our competitors in international tax include The Learning Company in Canada, Lexware and Viso in Germany and TaxCalc in the United Kingdom.

CONSUMER FINANCE SOFTWARE AND SERVICES

In desktop consumer finance software, Microsoft is currently our primary competition in both domestic and international markets. Quicken competes directly with Microsoft Money, which is aggressively promoted with free product offers through various distribution channels, and with advertising targeted to Quicken users. These competitive pressures, as well as other factors, have negatively affected Quicken revenue and profitability, as we have lowered prices and concentrated on OEM sales in order to remain competitive. There are many competitors for our other consumer finance products and services, and we expect

that competition will increase as we expand our consumer finance offerings, and as more companies expand their businesses onto the Internet. There are relatively low barriers to entry for Internet-based businesses, so we face competition from new and relatively small companies as well as established software companies. We also face competition from financial institutions that are developing their own financial software and websites. Our

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Web-based investment-related services and the Quicken.com website compete with online financial publishers and the financial areas on numerous online services such as America Online and Yahoo.com, as well as financially-oriented websites such as MSN Investor.

CUSTOMER SERVICE AND TECHNICAL SUPPORT

We provide customer service and technical support for our products primarily by telephone and fax. For customers who are connected to the Internet, we can answer questions by electronic mail and make corrected software available electronically. These methods are less expensive for us and often more efficient for customers. We currently operate major domestic telephone support centers in Tucson, Arizona and Fredericksburg, Virginia, and a telephone sales and service center in Mountain View, California. We currently have a full-time customer service and technical support staff of about 1,000 employees, but during periods of peak call volumes (such as during the tax return filing season, or shortly after a major product launch), we hire many seasonal employees and outsource some of the work.

During fiscal 1996, we began a fee-for-support program for QuickBooks and QuickBooks Pro customers under which customers could elect to pay a fee for expedited telephone support, and in fiscal 1997 we expanded the fee-for-support program. We believe this is consistent with industry trends in the small business products market. We also instituted a fee-for-support policy for older versions of Quicken during fiscal 1996. Revenues from our fee-for-support programs have been minimal, but we believe the policies have helped to control technical support costs. During fiscal 1998 we plan to expand the fee-for-support policy to other products. We have not experienced significant negative customer reactions to fee-for-support in the past, but that may occur in the future.

Despite our efforts to adequately staff and equip our customer service and support operations, during peak periods we occasionally can't respond promptly to all customer calls. We may also have an unusually high volume of calls, and be unable to respond promptly, if large numbers of customer order shipments are delayed or if we have product bugs. For example, in fiscal 1995 we had some operational problems with our direct order entry system that resulted in a high volume of calls, customer dissatisfaction, lost business and negative publicity. During fiscal 1996, customers had difficulties connecting to our online banking and bill payment services, and we incurred unexpected expenses for operational improvements. If we experience customer service and support problems in the future they could adversely affect customer relationships and financial performance.

In June 1997 we decided to close a major technical support facility in Rio Rancho, New Mexico and consolidate its operations with our Tucson, Arizona call center. Even though we eliminated about 150 technical support positions, we think the consolidation will allow us to provide better customer service because it will be easier to shift resources to where they are most needed at any given time. We also restructured our European technical support operations during fiscal 1997 (see page 8). Our technical support and other restructuring activities during fiscal 1997 resulted in a restructuring charge of \$10.4 million (see Note 6 to the financial statements on page 32, and MD&A, page 45). Although we expect that these changes will allow us to operate more efficiently, we can't be certain that they will.

MANUFACTURING AND SHIPPING

The major steps involved in manufacturing desktop software are duplicating disks and CDs, printing manuals and boxes, and assembling and shipping the final products. We outsource most of these tasks to vendors who are required to follow our strict quality guidelines. We have a small in-house manufacturing and shipping facility to handle low-volume products, and to handle shipments for direct sales. We have multiple sources for all of our raw materials and availability has not been a problem for us. Prior to major product releases, we tend to have significant levels of backlog, but at other times backlog is minimal and we normally ship products within a week of receiving an order. Because of this fluctuation in backlog, we don't think backlog is necessarily an important measure of future sales.

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GOVERNMENT REGULATION

Some of our products and services are regulated businesses under federal or state laws. We offer these regulated products and services through separate

subsidiary corporations. These subsidiaries must comply with a variety of regulations that don't apply to most software companies. Establishing and maintaining regulated subsidiaries requires significant financial, legal and management resources. If the subsidiaries fail to comply with applicable regulations, they could face liability to customers and/or penalties and sanctions by government regulators.

Our Quicken Investment Services, Inc. subsidiary (or "QISI") is registered as an investment adviser in many states and is subject to certain federal laws as well. QISI is responsible for Quicken Financial Planner, Quicken Retirement Planner on Quicken.com and some investment-related features in our Quicken products. Investment adviser regulations restrict QISI's business practices in several areas, including advertising and distribution arrangements. The business activities of IIS, which operates the Quicken InsureMarket website, are subject to state insurance regulations. IIS (or one of its officers) currently has an insurance license in each state where we believe licensing is necessary. State insurance laws regulate various aspects of the business operations of IIS and participating insurance carriers, including advertising, record-keeping and compensation. Our QuickenMortgage loan service scheduled to be launched during fiscal 1998 will be offered by a subsidiary called Intuit Lender Services, Inc. (or "ILSI"). We are in the process of registering or licensing ILSI as a mortgage or loan broker in all states where registration or licensing is required, and we won't be able to offer the full-feature QuickenMortgage service in any state until registration or licensing is completed in that state. We expect that this process will be completed in most states by the time the service is launched, but we can't be certain that it will be.

Our fall 1997 Quicken products will allow customers of participating brokerages to trade securities through their broker's website. Quicken InsureMarket may expand its site to include other insurance products that are considered "securities" under federal and state laws. We believe we have structured these services in a way that avoids direct government regulation. However, it's possible that these services, or other services we may offer in the future, may be regulated under federal and/or state securities broker-dealer laws or other regulations. We continually analyze new business opportunities, and any new businesses that we pursue may require additional expenditures and investments in regulatory compliance.

Various Intuit products contain powerful encryption technology. Government regulations currently prohibit this technology from being exported outside of the United States and Canada. Some agencies of the federal government are seeking to relax export laws, but others are seeking to tighten export restrictions on software containing encryption technology. These regulations may affect international sales of our desktop software as well as our ability to provide the level of security customers are seeking in Internet-based products and services on a worldwide basis.

INTELLECTUAL PROPERTY

We rely on a combination of copyright, patent, trademark and trade secret laws, and employee and third-party nondisclosure agreements to protect our software products and other proprietary technology. While our proprietary technology is important, we believe our success depends more heavily on the innovative skills and technical competency of our employees. We don't have any copy-protection mechanisms in our software because we don't believe they are practical or effective. Current U.S. laws that prohibit copying give us only limited practical protection from software "pirates," and the laws of many other countries provide almost no protection for our intellectual property. Policing unauthorized use of our products is difficult, expensive and time-consuming and we expect that software piracy will be a persistent problem for our desktop software products. In addition the unique technology of the Internet may tend to increase, and provide new methods for, illegal copying of the technology used in our Internet-based products and services. We consider our principal trademarks (including Intuit, Quicken, QuickBooks and TurboTax) to be important assets and have registered these and other trademarks and service marks in the U.S. and many foreign countries. The initial duration of trademark registrations varies from country to country and is 10 years in the U.S. Most registrations can be renewed repeatedly.

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We don't necessarily own all of the software and other technologies used in our products and services, but we have all licenses that we believe are necessary for using that technology. We don't believe that our products, trademarks and other proprietary rights infringe anyone else's proprietary rights. However, other parties occasionally claim that features or content of certain of our products, or our use of certain trademarks, may infringe their property rights. Past claims have not resulted in any significant litigation, settlement or licensing expenses in the past, but future claims could.

EMPLOYEES

As of August 31, 1997, Intuit and its domestic subsidiaries had about 2,500 full-time employees, and our international subsidiaries had about 500 full-time employees. We don't have any collective bargaining agreements with our

employees, and we believe employee relations are generally good. We believe our future success and growth will depend on our ability to attract and retain qualified employees in all areas of our business. Although we believe we offer competitive compensation and a good working environment, we face intense competition for qualified employees. Like many of our competitors, we have had difficulties during the past few years hiring and retaining employees. At certain times during the past few years, employee morale and retention have been hindered by declines in our stock price and the value of employee stock options. To address this problem, we "repriced" certain stock options during fiscal 1997. See Note 8 of the financial statements, on page 33.

In June 1997 we announced a corporate restructuring that included closing our technical support facility in Rio Rancho, New Mexico, reorganizing European administrative and technical support functions and eliminating some positions in Northern California. These moves are reducing our worldwide workforce by approximately 270 employees. Our sales of ISC in January 1997 and Parsons in August 1997 reduced our workforce by about 900 employees. See Notes 3, 6 and 15 of the financial statements.

ITEM 2. PROPERTIES

Our principal offices are located in Mountain View, California. We also lease office and manufacturing space in Palo Alto and San Diego, California. We lease our Mountain View facilities (currently about 130,000 square feet) under leases with staggered eight-year terms that we entered into in November 1994. Since December 1995, we have been in the process of moving our Palo Alto operations to Mountain View in stages. The move will be completed over the next several years. In June 1996, we relocated our San Diego operations to new offices (approximately 140,000 square feet) under a "build-to-suit" lease. See Note 7 of the financial statements (page 32) for information about our lease commitments.

We also lease facilities in Tucson, Arizona and Fredericksburg, Virginia, for customer service call centers; in Alexandria, Virginia, where our IIS subsidiary is located; and in Canada, England, France, Germany and Japan. We have a call center facility in Rio Rancho, New Mexico, but we recently consolidated its operations into our Tucson location. We are currently attempting to dispose of the Rio Rancho facility.

We believe our facilities are adequate for our current and near-term needs and that we will be able to locate additional space to accommodate anticipated growth.

ITEM 3. LEGAL PROCEEDINGS

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

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

Not applicable.

ITEM 4A. EXECUTIVE OFFICERS OF THE REGISTRANT

These are our current officers and their areas of responsibility. Biographies of our executive officers are included after the table.

EXECUTIVE OFFICERS

<TABLE>

<CAPTION>

NAME	AGE	POSITION
Scott D. Cook	45	Chairman of the Board of Directors
William V. Campbell	57	President, Chief Executive Officer and Director
William H. Harris, Jr.	41	Executive Vice President
Mari J. Baker	32	Senior Vice President, Consumer Finance
Eric C.W. Dunn	39	Senior Vice President, New Business and International; Chief Technology Officer
Alan A. Gleicher	45	Senior Vice President, Sales
Mark R. Goines	44	Senior Vice President, International
James J. Heeger	41	Senior Vice President, Small Business
David A. Kinser	46	Senior Vice President, Operations
John Monson	42	Senior Vice President and Intuit Fellow
Larry J. Wolfe	46	Senior Vice President, Tax Products
Greg J. Santora	46	Vice President, Chief Financial Officer and Chief Accounting Officer

Linda Fellows	49	Treasurer and Director of Investor Relations
Catherine L. Valentine	45	Vice President, General Counsel and Corporate Secretary
OTHER OFFICERS		
Joel T. Brown	36	Vice President and General Manager, Financial Supplies Group
Caroline F. Donahue	36	Vice President, Sales
Brooks Fisher	39	Vice President, Community
Brian D. Fitzgerald	48	Vice President, Worldwide Operations
Larry King, Jr.	35	Vice President, Direct Sales and Service
Robert J. Meighan	39	Vice President, Personal Tax Group
Carl Reese	40	Vice President, Mortgage Marketspace
Tanya L. Roberts	36	Vice President, Direct Sales
William C. Shepard	54	Vice President, Professional Products Group
Paul Vallaincourt	41	Vice President, U.S. Technical Support

Mr. Cook, a founder of Intuit, has been a director of Intuit since March 1984 and has been 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 Amazon.com and Broderbund Software, Inc. Mr. Cook is also a member of Broderbund's Audit Committee. 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 in April 1994 and was elected to Intuit's Board of Directors in May 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., Great Plains Software, Inc.

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and Apple Computer, Inc. He is a member of SanDisk's Compensation Committee and a member of Apple's Audit Committee. Mr. Campbell holds both a Bachelors and a Masters degree in economics from Columbia University.

Mr. Harris became Executive Vice President of Intuit in December 1993, in connection with Intuit's acquisition of ChipSoft, a tax preparation software company. He has been responsible for Intuit's tax and consumer finance businesses 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 ChipSoft's Executive Vice President and Chief Operating Officer. 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.

Ms. Baker became Intuit's Senior Vice President of the Consumer Division in March 1997. She served as Intuit's Vice President and General Manager of the Personal Finance Group from July 1996 to March 1997. From April to July 1996, she served as Vice President of Intuit'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 Intuit 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 Intuit's Senior Vice President of the International/New Business Division and Chief Technology Officer in March 1997. He served as Intuit's Senior Vice President of the Consumer/International Division from July 1996 to March 1997. He served as Vice President and General Manager of Intuit's Personal Finance Group from May 1994 to July 1996, and served as Intuit'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 became Intuit's Senior Vice President of Sales in March 1997. He is responsible for retail, direct and OEM sales. He served as Intuit's Vice President of Sales from December 1993 to March 1997. From September 1990 until Intuit's acquisition of ChipSoft in December 1993, Mr. Gleicher served as ChipSoft's President, Personal Tax Division. Prior to joining ChipSoft, Mr. Gleicher was President and a co-founder of SoftKat, which was a leading educational and consumer software distributor. 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 Intuit's Senior Vice President and General Manager of the

International Group in August 1997. He served as Intuit's Vice President and General Manager of the International Group from April 1996 to August 1997. He initially joined Intuit in December 1993 as Director of Product Management for Tax Products in connection with Intuit's acquisition of ChipSoft. He became Vice President and General Manager of Personal Tax Products in March 1994. 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. Heeger became General Manager and Senior Vice President of Intuit's Small Business Division in July 1997. He served as Chief Financial Officer of Intuit from April 1996 to July 1997, and was Senior Vice President in charge of the Finance, Customer Services and Operations functions from July 1996 until July 1997. He served as Vice President and General Manager of Intuit'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.

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Mr. Kinser joined Intuit as Senior Vice President of Operations in February 1997. Prior to that, Mr. Kinser served as a consultant to Intuit from July 1995 to February 1997. Mr. Kinser served as Chief Financial Officer and Vice President of Operations for Collabra Software from 1994 to 1995. Mr. Kinser served as Chief Financial Officer of EO Corp. from 1991 to 1993. He has also held executive positions at Claris Corp. and Apple Computer, Inc. Mr. Kinser holds a Bachelor of Arts degree from Humboldt State University.

Mr. Monson became an Intuit Fellow in July 1997 and also serves as a Senior Vice President. He served as Senior Vice President of the Small Business Division from July 1996 to July 1997. Mr. Monson 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. Wolfe became Intuit's Senior Vice President of the Tax Products Group in May 1997. Prior to that, he served as Vice President and General Manager of Intuit's Personal Tax Group from April 1996 to May 1997. He was the director of technical support and sales for Intuit'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. ChipSoft was subsequently acquired by Intuit 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.

Mr. Santora became Intuit's Chief Financial Officer in July 1997 and has served as Vice President of Finance since November 1996. He 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.

Ms. Fellows joined Intuit as Corporate Treasurer and Director of Investor Relations in May 1997. Prior to that, Ms. Fellows served as Treasurer and Director of Investor Relations of Bay Networks, Inc. from October 1990 to April 1997. Ms. Fellows holds a Bachelor of Arts degree from Stanford University and a Masters in Business Administration from the University of Santa Clara.

Ms. Valentine joined Intuit as General Counsel in September 1994. She has served as a Vice President of Intuit since August 1997 and 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.

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PART II

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

MARKET INFORMATION FOR COMMON STOCK

Intuit's common stock began trading over the counter in March 1993 at the time of our initial public offering. It is quoted on the Nasdaq National Market under the symbol "INTU." The following table shows the range of high and low closing sale prices reported on the Nasdaq National Market for the periods indicated. Prices reflect inter-dealer prices without retail markup, markdown or commissions. The unpredictability of our quarter-to-quarter results may have a significant impact on our stock price. See MD&A, page 40.

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	HIGH	LOW
<S>	<C>	<C>
FISCAL 1996		
First quarter.....	\$72.00	\$40.63
Second quarter.....	87.00	53.25
Third quarter.....	67.63	43.00
Fourth quarter.....	55.50	33.50
FISCAL 1997		
First quarter.....	\$40.50	\$26.00
Second quarter.....	39.75	26.88
Third quarter.....	28.63	21.50
Fourth quarter.....	28.50	22.13

</TABLE>

STOCKHOLDERS

As of September 30, 1997, we had approximately 1,000 record holders of our common stock, and about 31,000 beneficial holders.

DIVIDENDS

We have never paid any cash dividends on our common stock. We currently anticipate that we will retain all future earnings for use in our business, so we don't anticipate paying any cash dividends in the foreseeable future.

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ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

To better understand the following financial information, investors should also read "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Consolidated Financial Statements and Notes. In August 1994, Intuit changed its fiscal year end to July 31 from September 30. Consequently, fiscal 1994 includes only ten months of operating results.

FIVE-YEAR SUMMARY

<TABLE>
<CAPTION>

CONSOLIDATED STATEMENT OF OPERATIONS DATA	YEAR ENDED	TEN MONTHS	YEARS ENDED JULY 31,		
	SEPTEMBER 30,	ENDED	1995	1996	1997
<S>	1993	JULY 31,	<C>	<C>	<C>
	-----	-----	-----	-----	-----
(IN THOUSANDS, EXCEPT PER SHARE DATA)					
Net revenue.....	\$ 132,792	\$ 210,376	\$419,160	\$538,608	\$598,925
Income (loss) from continuing operations.....	9,420	(183,974)	(44,296)	(14,355)	(2,932)
Net income (loss).....	9,420	(183,974)	(44,296)	(20,699)	68,308
Income (loss) per share from continuing operations.....	0.40	(5.34)	(1.07)	(0.32)	(0.06)
Net income (loss) per share.....	\$ 0.40	\$ (5.34)	\$ (1.07)	\$ (0.46)	\$ 1.44

</TABLE>

<TABLE>
<CAPTION>

CONSOLIDATED BALANCE SHEET DATA	SEPTEMBER 30,	JULY 31,			
	1993	1994	1995	1996	1997
<S>	-----	-----	-----	-----	-----
	<C>	<C>	<C>	<C>	<C>
(IN THOUSANDS)					
Cash, cash equivalents and short-term investments.....	\$ 41,622	\$ 87,185	\$197,775	\$198,018	\$205,099
Working capital.....	41,990	68,675	164,281	169,724	243,195
Total assets.....	97,120	257,593	398,605	418,020	663,676
Long term obligations.....	689	3,715	8,770	5,583	36,444
Total stockholders' equity.....	\$ 54,896	\$ 183,872	\$280,399	\$299,235	\$415,061

</TABLE>

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

See page 40, following the financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

<TABLE>		
<S>	<C>	<C>
1.	INDEX TO CONSOLIDATED FINANCIAL STATEMENTS	
	The following financial statements are filed as part of this Report:	
</TABLE>		

<TABLE>		
<CAPTION>		
		PAGE

<S>	<C>	<C>
	AUDITED FINANCIAL STATEMENTS	
	Report of Ernst & Young LLP, independent auditors.....	21
	Consolidated Balance Sheets as of July 31, 1996 and 1997.....	22
	Consolidated Statements of Operations for the three years ended July 31, 1997.....	23
	Consolidated Statements of Stockholders' Equity for the three years ended July 31, 1997.....	24
	Consolidated Statements of Cash Flows for the three years ended July 31, 1997.....	25
	Notes to Consolidated Financial Statements.....	26

2.	INDEX TO FINANCIAL STATEMENT SCHEDULES	
	The following financial statement schedule is filed as part of this report and should be read in conjunction with the Consolidated Financial Statements:	

<TABLE>		
<CAPTION>		
	SCHEDULE	PAGE
	-----	-----
<C>	<S>	<C>
II	Valuation and Qualifying Accounts for the three years ended July 31, 1997.....	39

3.	MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.....	40
</TABLE>		

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, 1996 and 1997, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended July 31, 1997. Our audits also included the financial statement schedule listed on the Index to Financial Statement Schedules on the preceding page. 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Intuit Inc. at July 31, 1996 and 1997, and the consolidated results of its operations and its cash flows for each of the three years in the period ended July 31, 1997, 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.

INTUIT INC.

CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

(IN THOUSANDS, EXCEPT PAR VALUE)	JULY 31, 1996	JULY 31, 1997
<S>	<C>	<C>
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 44,584	\$ 46,780
Short-term investments.....	153,434	158,319
Marketable securities.....	--	190,800
Accounts receivable, net of allowance for doubtful accounts of \$4,951 and \$4,499, respectively.....	49,473	42,190
Inventories.....	4,448	3,295
Prepaid expenses.....	9,269	13,393
Deferred income taxes.....	19,205	--
	-----	-----
Total current assets.....	280,413	454,777
Property and equipment, net.....	95,611	83,404
Purchased intangibles, net.....	16,449	19,836
Goodwill, net.....	15,194	26,935
Long-term deferred income taxes.....	6,892	--
Investments.....	--	41,150
Restricted investments.....	--	34,766
Other assets.....	3,461	2,808
	-----	-----
Total assets.....	\$ 418,020	\$ 663,676
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable.....	\$ 33,972	\$ 35,688
Accrued compensation and related liabilities.....	15,473	22,458
Deferred revenue.....	18,974	22,732
Income taxes payable.....	--	3,811
Deferred income taxes.....	--	27,310
Other accrued liabilities.....	42,270	99,583
	-----	-----
Total current liabilities.....	110,689	211,582
Long-term deferred income taxes.....	2,513	589
Long-term notes payable.....	5,583	36,444
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 - 45,807 and 46,942 shares, respectively.....	458	469
Additional paid-in capital.....	530,818	558,391
Net unrealized gain on marketable securities.....	--	20,668
Cumulative translation adjustment and other.....	(502)	(1,236)
Accumulated deficit.....	(231,539)	(163,231)
	-----	-----
Total stockholders' equity.....	299,235	415,061
	-----	-----
Total liabilities and stockholders' equity.....	\$ 418,020	\$ 663,676
	=====	=====

</TABLE>

See accompanying notes.

INTUIT INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

<TABLE>
<CAPTION>

(IN THOUSANDS, EXCEPT PER SHARE DATA)	YEARS ENDED JULY 31,		
	1995	1996	1997
<S>	<C>	<C>	<C>
Net revenue.....	\$419,160	\$538,608	\$598,925

Costs and expenses:			
Cost of goods sold:			
Product.....	110,322	136,470	137,281
Amortization of purchased software and other.....	11,369	1,399	1,489
Customer service and technical support.....	75,113	106,872	119,762
Selling and marketing.....	109,382	142,319	162,047
Research and development.....	57,332	75,558	93,018
General and administrative.....	26,437	33,153	37,460
Charge for purchased research and development.....	52,471	8,043	11,009
Other acquisition costs, including amortization of goodwill and purchased intangibles.....	41,775	40,570	26,543
Restructuring costs.....	--	--	10,356
	-----	-----	-----
Total costs and expenses.....	484,201	544,384	598,965
	-----	-----	-----
Loss from operations.....	(65,041)	(5,776)	(40)
Microsoft merger termination fee, net.....	41,293	--	--
Interest and other income and expense, net.....	3,748	7,646	9,849
	-----	-----	-----
Income (loss) from continuing operations before income taxes.....	(20,000)	1,870	9,809
Provision for income taxes.....	24,296	16,225	12,741
	-----	-----	-----
Loss from continuing operations.....	(44,296)	(14,355)	(2,932)
Loss from operations of discontinued operations, net of income tax benefit of \$3,725.....	--	(6,344)	--
Gain from sale of discontinued operations, net of income tax provision of \$52,617.....	--	--	71,240
	-----	-----	-----
Net income (loss).....	\$ (44,296)	\$ (20,699)	\$ 68,308
	=====	=====	=====
Loss per share from continuing operations.....	\$ (1.07)	\$ (0.32)	\$ (0.06)
Loss per share from discontinued operations.....	--	(0.14)	--
Income per share from sale of discontinued operations....	--	--	1.50
	-----	-----	-----
Net income (loss) per share.....	\$ (1.07)	\$ (0.46)	\$ 1.44
	=====	=====	=====
Shares used in computing net income (loss) per share.....	41,411	45,149	47,448
	=====	=====	=====

</TABLE>

See accompanying notes.

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INTUIT INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

<TABLE>							
<CAPTION>							
	COMMON STOCK		ADDITIONAL	NET UNREALIZED GAIN ON	CUMULATIVE TRANSLATION	EARNINGS	
TOTAL	-----		PAID-IN	MARKETABLE	ADJUSTMENT	(ACCUMULATED	
STOCKHOLDERS'	SHARES		CAPITAL	SECURITIES	AND OTHER	DEFICIT)	
(DOLLARS IN THOUSANDS)	-----		-----	-----	-----	-----	-----
EQUITY	-----		-----	-----	-----	-----	-----
	<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balance at July 31, 1994.....	39,121,512	\$198	\$350,462	\$ --	\$ (244)	\$ (166,544)	
\$183,872							
Issuance of common stock pursuant to Parsons Technology Inc. acquisition.....	1,799,464	9	33,022	--	--	--	
33,031							
Issuance of common stock pursuant to Personal News, Inc. acquisition.....	216,982	1	7,202	--	--	--	
7,203							
Sale of common stock pursuant to secondary offering, net of issuance costs of \$4,582.....	2,200,000	11	80,107	--	--	--	
80,118							
Issuance of common stock upon exercise of options.....	1,178,950	6	6,908	--	--	--	
6,914							
Stock split.....	--	220	(220)	--	--	--	
--							
Tax benefit from employee stock option transactions.....	--	--	13,217	--	--	--	
13,217							
Amortization of deferred							

compensation.....	--	--	--	--	33	--
33						
Translation adjustment and other.....	--	--	--	--	307	--
307						
Net loss.....	--	--	--	--	--	(44,296)
(44,296)						

Balance at July 31, 1995.....	44,516,908	445	490,698	--	96	(210,840)
280,399						
Issuance of common stock pursuant to Interactive Insurance Services acquisition.....	169,181	2	8,431	--	--	--
8,433						
Issuance of common stock upon exercise of options.....	1,120,847	11	12,824	--	--	--
12,835						
Tax benefit from employee stock option transactions.....	--	--	18,865	--	--	--
18,865						
Amortization of deferred compensation.....	--	--	--	--	29	--
29						
Translation adjustment and other.....	--	--	--	--	(627)	--
(627)						
Net loss.....	--	--	--	--	--	(20,699)
(20,699)						

Balance at July 31, 1996.....	45,806,936	458	530,818	--	(502)	(231,539)
299,235						
Issuance of common stock pursuant to GALT acquisition.....	212,053	2	8,709	--	--	--
8,711						
Issuance of common stock upon exercise of options and other...	826,818	8	7,540	--	--	--
7,548						
Issuance of common stock pursuant to Employee Stock Purchase Plan.....	96,301	1	1,877	--	--	--
1,878						
Release of stock from escrow pursuant to Parsons Technology, Inc. acquisition.....	--	--	2,743	--	--	--
2,743						
Tax benefit from employee stock option transactions.....	--	--	6,704	--	--	--
6,704						
Net unrealized gain on marketable securities.....	--	--	--	20,668	--	--
20,668						
Translation adjustment and other.....	--	--	--	--	(734)	--
(734)						
Net income.....	--	--	--	--	--	68,308
68,308						

Balance at July 31, 1997.....	46,942,108	\$469	\$558,391	\$20,668	\$(1,236)	\$(163,231)
\$415,061						
=====						

See accompanying notes.

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INTUIT INC.

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

<TABLE>
<CAPTION>

(IN THOUSANDS)

YEARS ENDED JULY 31,

	1995	1996	1997
<S>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss).....	\$ (44,296)	\$ (20,699)	\$ 68,308
Adjustments to reconcile net income (loss) to net cash			

provided by operating activities:			
Net gain on sale of discontinued operations.....	--	--	(71,240)
Discontinued operations loss offset against gain.....	--	--	(9,668)
Charge for purchased research and development.....	52,471	8,043	11,009
Amortization of goodwill and other purchased intangibles.....	51,544	44,502	29,715
Depreciation.....	12,890	23,853	28,952
Changes in assets and liabilities:			
Accounts receivable.....	(23,781)	(10,498)	7,482
Inventories.....	(3,108)	2,128	1,445
Prepaid expenses.....	4,269	(4,817)	(4,090)
Deferred income tax assets and liabilities.....	(16,536)	(1,989)	(14,501)
Accounts payable.....	4,543	12,281	(26)
Accrued compensation and related liabilities.....	6,010	47	6,441
Deferred revenue.....	118	9,723	58
Accrued acquisition liabilities.....	(5,074)	(5,733)	1,445
Other accrued liabilities.....	15,586	(4,624)	22,931
Income taxes payable.....	22,842	9,258	2,888
	-----	-----	-----
Net cash provided by operating activities.....	77,478	61,475	81,149
	-----	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment.....	(33,087)	(69,321)	(27,597)
Sale of marketable securities.....	--	--	29,500
Cash transferred for acquisitions and dispositions, net of cash acquired.....	(26,323)	40	(34,224)
(Increase) decrease in other assets.....	1,024	(1,628)	(970)
Purchase of short-term investments.....	(144,651)	(197,003)	(258,892)
Liquidation and maturity of short-term investments.....	87,515	165,046	215,338
Purchase of long-term investments.....	--	--	(41,150)
	-----	-----	-----
Net cash used in investing activities.....	(115,522)	(102,866)	(117,995)
	-----	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of long-term debt.....	5,211	--	30,277
Principal payments on long-term debt.....	(727)	(3,187)	(661)
Net proceeds from issuance of common stock.....	87,015	12,864	9,426
	-----	-----	-----
Net cash provided by financing activities.....	91,499	9,677	39,042
	-----	-----	-----
Net increase (decrease) in cash and cash equivalents.....	53,455	(31,714)	2,196
Cash and cash equivalents at beginning of period.....	22,843	76,298	44,584
	-----	-----	-----
Cash and cash equivalents at end of period.....	\$ 76,298	\$ 44,584	\$ 46,780
	=====	=====	=====
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Interest paid.....	\$ 232	\$ 305	\$ 652
	=====	=====	=====
Income taxes paid.....	\$ 14,468	\$ 5,791	\$ 31,906
	=====	=====	=====

</TABLE>

See accompanying notes.

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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 small business accounting, tax preparation and consumer finance software. Intuit 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 small business accounting software, personal and professional tax preparation software, consumer finance and Internet-based products and services and financial supplies, such as invoice forms and checks, for use with certain of Intuit's products. Intuit markets its products through distributors and retailers and by direct sales to OEMs (Original Equipment Manufacturers) and individual users. Intuit's customers are located primarily in North America, Europe and Asia.

Principles of Consolidation

The consolidated financial statements include the accounts of Intuit and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

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 both the collectibility of accounts receivable and 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. Intuit provides warranty reserves for the estimated cost of replacing defective products at the time revenue is recognized.

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 years ended July 31, 1995, 1996 and 1997 was approximately \$21.1 million, \$24.6 million and \$35.3 million, respectively.

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Cash, Cash Equivalents, Short-Term Investments and Marketable Securities

Intuit considers all highly liquid investments purchased with a maturity of three months or less at date of acquisition to be cash equivalents. Both cash equivalents and short-term investments are considered available-for-sale securities and are carried at amortized cost which approximates fair value. The following is a summary of the estimated fair value of cash, cash equivalents and short-term investments:

<TABLE>

<CAPTION>

(IN THOUSANDS)	JULY 31, 1996	JULY 31, 1997
	-----	-----
<S>	<C>	<C>
Cash and cash equivalents:		
Cash.....	\$ 18,732	\$ 20,188
Money market funds.....	10,767	3,369
Commercial paper.....	3,786	4,292
Corporate notes.....	1,000	--
Municipal bonds.....	10,299	--
U.S. Government securities.....	--	18,931
	-----	-----
	\$ 44,584	\$ 46,780
	=====	=====
Short-term investments:		
Certificates of deposit.....	\$ 10,003	\$ 5,075
Commercial paper.....	10,080	--
Corporate notes.....	14,875	37,811
Municipal bonds.....	67,188	140,245
U.S. Government securities.....	51,288	9,954
Restricted short-term investments.....	--	(34,766)
	-----	-----
	\$153,434	\$158,319
	=====	=====

</TABLE>

At July 31, 1997, Intuit held marketable securities in Checkfree Corporation ("Checkfree") with a cost of \$156.4 million and a fair value of \$190.8 million. These securities are carried at fair value and unrealized gains and losses, net of tax, are included in stockholders' equity. As of July 31, 1997, there was a gross unrealized gain of \$34.4 million before a tax provision of \$13.8 million. Marketable securities in Checkfree were obtained as a result of Intuit's sale of its online banking and bill payment transaction processing business to Checkfree

in January 1997. For more information on this sale, see Note 3 of Notes to Consolidated Financial Statements. No marketable securities were held at July 31, 1996. For information on Intuit's investment in Excite, Inc. ("Excite"), see Note 4 of Notes to Consolidated Financial Statements. For information about restricted short-term investments, see Note 7 of Notes to Consolidated Financial Statements.

Realized gains and losses on sales of each type of security for the years ended July 31, 1996 and 1997 were immaterial.

The estimated fair value of cash equivalents and short-term investments by contractual maturity is as follows:

<TABLE>
<CAPTION>

(IN THOUSANDS)	JULY 31, 1996	JULY 31, 1997
	-----	-----
<S>	<C>	<C>
Due within one year.....	\$169,573	\$155,832
Due after one year.....	9,713	63,845
Restricted short-term investments.....	--	(34,766)
	-----	-----
	\$179,286	\$184,911
	=====	=====

</TABLE>

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.

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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 3 to 30 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 the following:

<TABLE>
<CAPTION>

(IN THOUSANDS)	JULY 31, 1996	JULY 31, 1997
	-----	-----
<S>	<C>	<C>
Machinery and equipment.....	\$ 97,300	\$102,241
Furniture and fixtures.....	17,173	17,739
Leasehold improvements.....	18,634	18,659
Land and buildings.....	12,588	15,365
	-----	-----
	145,695	154,004
Less accumulated depreciation and amortization.....	(50,084)	(70,600)
	-----	-----
	\$ 95,611	\$ 83,404
	=====	=====

</TABLE>

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 not exceeding 3 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 internal and external, that may suggest impairment. To date no such impairment has been indicated. Should there be an impairment in the future, Intuit 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 reflect management's best estimates, using appropriate and customary assumptions and projections at the time. Components of intangible assets are as follows:

<TABLE>
<CAPTION>

(IN THOUSANDS)	LIFE IN YEARS	NET BALANCE AT	
	-----	JULY 31, 1996	JULY 31, 1997
		-----	-----
<S>	<C>	<C>	<C>
Goodwill.....	3	\$15,194	\$26,935
Customer lists.....	3-5	6,952	3,144

Covenant not to compete.....	4-5	4,248	2,125
Purchased technology.....	1-5	857	7,517
Other intangibles.....	1-10	4,392	7,050

</TABLE>

Other intangibles include items such as trade names, logos and other identified intangible assets. The balances presented above are net of total accumulated amortization of \$125.1 million and \$147.1 million at July 31, 1996 and 1997, respectively.

Concentration of Credit Risk

Intuit'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 Intuit's operating results.

Financial investments that potentially subject Intuit to concentration of credit and/or valuation risk consist principally of short-term investments, marketable securities and trade accounts receivable. Intuit holds shares of Checkfree common stock as marketable securities, representing approximately 19.5% of Checkfree's outstanding common stock at July 31, 1997. Intuit also holds approximately 19% of Excite's outstanding common stock as of July 31, 1997. The ability to dispose of both the Checkfree and Excite stock is restricted by volume trading limitations and other contractual arrangements. The Excite shares are subject to greater restrictions than the Checkfree shares and are therefore currently accounted for as a long-term investment, rather than as marketable securities. Subsequent declines in fair value below cost that are deemed to be other than temporary will be reported in earnings. Intuit's remaining investment portfolio is diversified and generally

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consists of short-term investment grade securities. The credit risk in Intuit's accounts receivable is mitigated by the fact that Intuit 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. Intuit maintains reserves for estimated credit losses and such losses have historically been within management's expectations.

Income (Loss) Per Share

Income (loss) per share has been computed using the weighted average number of common and dilutive common equivalent shares outstanding during each period. Dilutive common equivalent shares consist of stock options calculated using the treasury method. As discussed in Note 8, all share and per share data in the Financial Statements and notes thereto have been adjusted retroactively to give effect to Intuit's two-for-one stock split in August 1995.

Foreign Currency

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

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard 128, "Earnings per Share" ("FAS 128"), which will require a change in the method used to compute earnings per share and the restatement of all prior periods. Under the new requirements for calculating primary earnings per share, the dilutive effect of stock options will be excluded. The impact would have resulted in an increase in primary earnings per share for the year ended July 31, 1997 of \$0.03 per share. There would have been no effect on primary earnings per share for the years ended July 31, 1996 or 1995. Intuit has not yet determined what the impact of FAS 128 will be on the calculation of fully diluted earnings per share. The disclosure requirements of FAS 128 will be effective for Intuit's 1998 fiscal year.

In June 1997, Financial Accounting Standard 130, "Reporting Comprehensive Income" ("FAS 130"), was issued and is effective for fiscal years commencing after December 15, 1997. Intuit will comply with the requirements of FAS 130 in fiscal year 1999.

In June 1997, Financial Accounting Standard 131, "Disclosures About Segments of an Enterprise and Related Information" ("FAS 131"), was issued and is effective for fiscal years commencing after December 15, 1997. Intuit will comply with the requirements of FAS 131 in fiscal year 1999.

2. ACQUISITIONS

In September 1994, Intuit completed its acquisition of Parsons Technology, Inc. ("Parsons"), which was treated as a purchase for accounting purposes. Under the

terms of the agreement, Intuit paid approximately \$28.8 million in cash, issued approximately 1,800,000 shares of Intuit's common stock to Parsons' stockholders at the date of the acquisition and allocated 138,038 shares of common stock to be paid for certain non-competition agreements. In the first quarter of fiscal 1996, Intuit paid an additional \$2.7 million in cash as deferred consideration. The total purchase price was approximately \$67.3 million. In connection with the acquisition, the following amounts were allocated to intangible assets: \$44.0 million to in-process research and development, \$14.0 million to intangible assets and \$9.9 million to goodwill. Intuit sold Parsons on August 7, 1997. See Note 15.

In June 1995, Intuit completed its acquisition of Personal News Inc., 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

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charged to Intuit's operations at the time of the acquisition. In addition to the in-process research and development charge, Intuit incurred acquisition-related charges of \$1.6 million in fiscal 1995 related to the termination of a conflicting license agreement.

In January 1996, Intuit completed its acquisition of Milkyway KK, a provider of PC-based financial software in Japan. In February 1997, Milkyway KK's name was changed to Intuit KK. The acquisition was treated as a pooling of interests for accounting purposes. In addition to the issuance of 650,000 shares of Intuit common stock, Intuit 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 Intuit and Milkyway during the periods preceding the combination:

<TABLE>
<CAPTION>

(IN THOUSANDS)	YEAR ENDED JULY 31, 1995	PERIOD ENDED JANUARY 2, 1996
	----- <C>	----- <C>
Net revenue:		
Intuit.....	\$395,729	\$164,696
Milkyway.....	23,431	14,510
	-----	-----
	\$419,160	\$179,206
	=====	=====
Net income (loss):		
Intuit.....	\$(45,363)	\$(34,037)
Milkyway.....	1,067	1,312
	-----	-----
	\$(44,296)	\$(32,725)
	=====	=====

</TABLE>

In June 1996, Intuit completed its acquisition of Interactive Insurance Services Corp. ("IIS"), a developer of an Internet-based system designed to allow consumers to obtain term life insurance information and quotes from participating 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 acquisition agreement, Intuit issued 169,181 shares of Intuit common stock and options to purchase 3,255 shares of Intuit common stock to IIS stock and option holders, respectively, at the date of acquisition. Approximately \$8.0 million of in-process research and development arising from the IIS acquisition was expensed in the quarter ended July 31, 1996.

In September 1996, Intuit completed its acquisition of GALT Technologies, Inc. ("GALT"), a provider of mutual fund information on the World Wide Web. The acquisition was treated as a purchase for accounting purposes. Under the terms of the acquisition agreement, Intuit issued 212,053 shares of Intuit common stock and options to purchase approximately 33,686 shares of Intuit common stock to GALT stock and option holders, respectively, at the date of acquisition. Of the purchase price of \$14.6 million, approximately \$8.5 million was allocated to identified intangible assets and goodwill, which will be amortized over a period not to exceed three years. Approximately \$4.9 million of in-process research and development was expensed in the quarter ended October 31, 1996. GALT was merged into Intuit effective July 31, 1997.

The following information shows the pro forma net revenue, net loss and net loss per share of Intuit and GALT combined as if the acquisition had taken place as

of the beginning of fiscal 1996:

<TABLE>
<CAPTION>

(IN THOUSANDS, EXCEPT PER SHARE DATA)	YEAR ENDED
	JULY 31, 1996
<S>	<C>
Net revenue.....	\$ 539,447
Net loss.....	(27,721)
Net loss per share.....	\$ (0.61)

</TABLE>

The above pro forma results of operations for the year ended July 31, 1996 reflect a charge for in-process research and development of \$4.9 million and the amortization of intangible assets related to the GALT acquisition. Pro forma information for the year ended July 31, 1997 is not shown as it is not materially different from that presented in Intuit's statement of operations.

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In February 1997, Intuit's French subsidiary completed its acquisition of Somma France S.A.R.L. ("Somma"), a French small business accounting software company, for a purchase price of approximately \$2.3 million. In addition, assumed liabilities were \$0.8 million. The cash acquisition was treated as a purchase for accounting purposes. Approximately \$2.5 million was allocated to identified intangible assets and goodwill, which will be amortized over a period not to exceed three years. Pro forma information for Somma has not been presented due to immateriality.

In March 1997, Intuit KK, a wholly owned subsidiary of Intuit, completed its acquisition of Nihon Micom Co. Ltd. ("Nihon Micom"), a Japanese small business accounting software company, for cash. The acquisition was treated as a purchase for accounting purposes. The purchase price of the acquisition was approximately \$39.9 million. In addition, liabilities of approximately \$9.6 million were assumed. Approximately \$32.8 million was allocated to identified intangible assets and goodwill, which will be amortized over a period not to exceed three years. An in-process research and development charge of \$6.1 million was expensed in the quarter ended April 30, 1997. Under the terms of the agreement, Intuit issued options to purchase 89,170 shares of Intuit common stock to employees of Nihon Micom on the date of acquisition. Pro forma information for Nihon Micom has not been presented due to immateriality.

Consistent with the guidelines established by Statement of Financial Accounting Standards No. 86, "Accounting for the Costs of Computer Software to Be Sold, Leased or Otherwise Marketed," for each acquisition accounted for as a purchase, Intuit determined the amounts allocated to developed and in-process research and development based on whether technological feasibility had been achieved and whether there was an 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, Intuit 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. DISCONTINUED OPERATIONS AND DIVESTITURES

On January 27, 1997, Intuit completed the sale of its online banking and bill payment transaction processing subsidiary, Intuit Services Corporation ("ISC"), to Checkfree in exchange for 12.6 million shares of Checkfree common stock. The closing price of Checkfree common stock was \$14.75 per share on January 24, 1997, the last business day prior to closing. As a result of the divestiture, Intuit recorded a gain on sale of discontinued operations of \$71.2 million, net of tax, in the quarter ended January 31, 1997. This gain has been recorded net of certain contingent items relating to the divested business. In addition to this gain, Intuit recorded \$10 million of net revenue in January 1997, reflecting a service and license fee received from Checkfree for providing connectivity between Intuit's Quicken software and Checkfree's processing services. In February 1997, Intuit sold two million shares of the acquired Checkfree common stock, reducing its investment in Checkfree to approximately 19.6% of the resulting 54.2 million shares of Checkfree common stock outstanding following consummation of the transaction.

The divested online banking and bill payment business of ISC has been accounted for as a discontinued operation and, accordingly, its operating results have been segregated for fiscal 1996. Revenue and net loss from discontinued operations were \$14.3 million and \$6.3 million, respectively, for the fiscal year ended 1996. Segregated operating results for the year ended July 31, 1995 have not been presented due to immateriality. Operating results for discontinued operations for the period beginning August 1, 1996 until the close of the sale on January 27, 1997 were deferred. These losses were approximately \$5.8 million, net of a tax benefit of approximately \$3.9 million, and were netted against the gain on sale of discontinued operations.

4. INVESTMENTS

In June 1997, Intuit purchased 2.9 million shares of Excite, Inc. common stock for \$13.50 per share, or approximately \$39.2 million. The shares represented approximately 19% of Excite's outstanding common stock after the transaction. Based on terms in the agreement, Intuit may not sell any shares until

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December 1998, and sales after December 1998 are restricted. Intuit is currently using the cost method to account for its investment. As resale restrictions lapse over time, unrestricted shares will be accounted for as marketable securities.

5. OTHER ACCRUED LIABILITIES

<TABLE>
<CAPTION>

(IN THOUSANDS)	JULY 31, 1996	JULY 31, 1997
	-----	-----
<S>	<C>	<C>
Reserve for returns and exchanges.....	\$ 24,203	\$ 36,310
Acquisition and disposition related items.....	3,677	38,866
Rebates.....	2,787	2,876
Post-contract customer support.....	3,500	4,233
Other accruals.....	8,103	17,298
	-----	-----
	\$ 42,270	\$ 99,583
	=====	=====

</TABLE>

6. RESTRUCTURING COSTS

In fiscal 1997, Intuit decided to restructure its U.S. technical support operations. Intuit is closing its technical support facility in Rio Rancho, New Mexico and consolidating the operations of that facility within its Tucson, Arizona technical support location. Intuit also announced in fiscal 1997 that it would reorganize its European region to consolidate management operations for its core European markets in its German headquarters in Munich and to outsource all European customer service, technical support, manufacturing and order fulfillment functions to third party vendors. As a result of these actions and concurrent staff reductions in Northern California, Intuit's worldwide workforce is being reduced by approximately 270 employees, or approximately 9%, and Intuit incurred \$10.4 million in restructuring charges, consisting of approximately \$5.4 million for severance costs and approximately \$5.0 million for facility commitments and fixed assets in buildings to be vacated as part of the restructuring. At July 31, 1997, Intuit has approximately \$9.1 million of accrued restructuring costs, representing estimated severance costs and facility payments to be paid in fiscal 1998.

7. NOTES PAYABLE AND COMMITMENTS

Notes Payable

In March 1995, Intuit entered into a 20-year loan for \$4.0 million for its technical support site in New Mexico. This property is expected to be disposed of in fiscal 1998. The interest rate is variable with a maximum rate of 10%. At July 31, 1997, the interest rate was 8.25%. The fair value of the loan approximates cost, as the interest rate on the borrowings is adjusted periodically to reflect market rates.

In March 1997, Intuit's Japanese subsidiary, Intuit KK, entered into a three year loan agreement with Japanese banks for approximately \$30.3 million used to fund its acquisition of Nihon Micom. The interest rate is variable based on the Tokyo interbank offered rate ("TIBOR") or the short-term prime rate offered in Japan. At July 31, 1997, the interest rate was approximately 0.9%. The fair value of the loan approximates cost as the interest rate on the borrowings is adjusted periodically to reflect market rates (which are currently significantly lower in Japan than in the United States). The agreement calls for interest only payments until maturity. The loan is guaranteed by Intuit and Intuit has pledged approximately \$34.8 million, or 110% of the loan balance, of short-term investments to be restricted as security for the borrowings at July 31, 1997.

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Leases

Intuit 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>

YEARS ENDING JULY 31, ----- (IN THOUSANDS) <S>	COMMITMENTS ----- <C>
1998.....	\$ 11,218
1999.....	10,651
2000.....	10,478
2001.....	9,182
2002.....	9,243
Thereafter.....	21,704

	\$ 72,476
	=====

</TABLE>

Total rent expense for the years ended July 31, 1995, 1996 and 1997 was approximately \$7.6 million, \$9.2 million and \$10.1 million, respectively.

8. STOCKHOLDERS' EQUITY

Stock Option Plans

On January 31, 1993, Intuit 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 Intuit. Exercisability, option price and other terms are determined by the Board of Directors, but the option price is generally not 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.

On October 7, 1996, Intuit adopted the 1996 Directors Stock Option Plan, which authorizes the granting of non-qualified stock options to non-employee directors of Intuit. Options are granted based on a formula prescribed by the plan at a price equal to the fair market value of the shares at the time the option is granted. The options have a ten-year term and become exercisable over a four-year period.

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

<TABLE>

<CAPTION>

	OPTIONS OUTSTANDING			WEIGHTED AVERAGE EXERCISE PRICE PER SHARE
	SHARES AVAILABLE FOR GRANT	NUMBER OF SHARES	PRICE PER SHARE	
<S>	<C>	<C>	<C>	<C>
Balance at July 31, 1994.....	1,247,948	4,715,460	\$ 0.05 - \$23.50	\$ 8.90
Additional shares authorized.....	5,000,000			
Options granted.....	(3,114,974)	3,114,974	\$19.75 - \$43.13	\$28.18
Options exercised.....	--	(1,178,950)	\$ 0.05 - \$31.00	\$ 4.84
Options canceled or expired.....	291,396	(388,118)	\$ 0.45 - \$43.13	\$17.46
-----	-----	-----	-----	-----
Balance at July 31, 1995.....	3,424,370	6,263,366	\$ 0.05 - \$43.13	\$18.20
Options assumed from the IIS acquisition.....	(3,255)	3,255	\$ 0.44 - \$ 8.30	\$ 7.62
Options granted.....	(2,001,495)	2,001,495	\$35.00 - \$84.00	\$50.54
Options exercised.....	--	(1,120,847)	\$ 0.05 - \$56.63	\$11.98
Options canceled or expired.....	548,853	(581,296)	\$ 3.00 - \$84.00	\$34.01
-----	-----	-----	-----	-----
Balance at July 31, 1996.....	1,968,473	6,565,973	\$ 0.05 - \$84.00	\$27.74
GALT Plan options registered.....	33,686			
Options assumed from the GALT acquisition.....	(33,686)	33,686	\$ 2.27 - \$37.37	\$23.37
Additional shares authorized.....	3,120,000			
Options granted outside of option plans.....	--	112,006	\$21.88 - \$84.00	\$33.10
Options granted.....	(4,388,187)	4,388,187	\$21.75 - \$38.00	\$27.74
Options exercised.....	--	(826,783)	\$ 0.05 - \$57.63	\$ 9.44
Options canceled or expired.....	1,240,207	(1,324,967)	\$ 2.27 - \$84.00	\$29.65
-----	-----	-----	-----	-----
Balance at July 31, 1997.....	1,940,493	8,948,102	\$ 0.05 - \$84.00	\$22.61
	=====	=====		

</TABLE>

At July 31, 1995, 1996 and 1997, options under the various plans for 1,480,588,

1,894,320 and 1,931,019 shares, respectively, were exercisable. At July 31, 1997, 1,880,493 shares were available for grant under the 1993 Plan and 60,000 shares were available for grant under the 1996 Directors Stock Option Plan.

On May 22, 1995, all non-officer employee grants of stock options under Intuit's 1993 Equity Incentive Plan issued between the date the proposed merger with Microsoft Corporation 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.

On September 18, 1996, 1,787,746 options were repriced to reflect an exercise price of \$32.75, the fair market value on the date of repricing. As a condition of the repricing, employees agreed that options which were repriced would not be exercisable, even if vested, until September 17, 1997. Officers at the level of senior vice president and above were not eligible for the repricing.

On March 27, 1997, 3,151,445 options were repriced to reflect an exercise price of \$23.75, the fair market value on the date of repricing. As a condition of the repricing, employees agreed that options which were repriced would not be exercisable, even if vested, until March 27, 1998. On June 30, 1997, 177,600 options held by employees of a Japanese subsidiary were also repriced to \$23.75. These were not repriced on March 27, 1997 because of filings required to meet Japanese securities laws prior to repricing these options. There are no exercise restrictions on these 177,600 repriced options. Officers at the level of senior vice president and above were not eligible for the repricing.

Stock Split

On July 20, 1995, Intuit'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 Intuit's common stock have been restated to reflect this stock split.

Employee Stock Purchase Plan

In October 1996, Intuit adopted an Employee Stock Purchase Plan under Section 423 of the Internal Revenue Code and reserved 300,000 shares of common stock for issuance under the plan. Eligible employees may purchase Intuit's stock at 85% of fair market value at the beginning or end of the six-month offering period, whichever is less. In June 1997, 96,301 shares were purchased by employees enrolled in the plan.

Stock-Based Compensation

Intuit follows Accounting Principles Board Opinion 25, "Accounting for Stock Issued to Employees," in accounting for its stock-based compensation. Under this opinion, Intuit is not required to record any compensation expense when stock options are granted to employees, provided the exercise price of the options is not less than the fair market value of the stock when the option is granted. In October 1995, the Financial Accounting Standards Board issued Statement 123, "Accounting for Stock Based Compensation" ("FAS 123"). This statement provides an alternative, optional method of accounting for stock-based compensation that involves reflecting a compensation expense when an option is granted. FAS 123 also requires companies that continue to account for stock-based compensation under Accounting Principles Board Opinion 25 to provide pro forma net income (loss) and net income (loss) per share information showing what the impact would have been if the company had adopted the alternative accounting method described in FAS 123 for options and other stock based compensation awards granted after December 31, 1994. The pro forma impact of applying FAS 123 in fiscal 1996 and 1997 is not likely to be representative of the pro forma impact in future years.

Intuit has elected to use the Black-Scholes model to estimate the fair value of options granted. This valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because Intuit's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing model does not necessarily provide a reliable single measure of the fair value of its employee stock options. Inputs used for the valuation model are as follows:

<TABLE>
<CAPTION>

OPTIONS		EMPLOYEE STOCK PURCHASE PLAN	
1996	1997	1996	1997
-----	-----	-----	-----

<S>	<C>	<C>	<C>	<C>
Expected life (years).....	1.33 - 4.61	1.17 - 4.61	--	0.50
Expected volatility.....	0.60%	0.60%	--	0.60%
Risk-free interest rate.....	4.83% - 6.92%	5.50% - 6.88%	--	5.61%

</TABLE>

Intuit's pro forma net income (loss) and net income (loss) per share information is as follows:

<TABLE>
<CAPTION>

	YEAR ENDED JULY 31,	
	1996	1997
(IN THOUSANDS, EXCEPT PER SHARE DATA)		
<S>	<C>	<C>
Net income (loss)		
As reported.....	\$ (20,699)	\$68,308
Pro forma.....	\$ (27,638)	\$46,409
Net income (loss) per share		
As reported.....	\$ (0.46)	\$ 1.44
Pro forma.....	\$ (0.61)	\$ 0.97

</TABLE>

The weighted average fair value of options granted during fiscal 1996 was approximately \$23.19 per share. The weighted average fair value of new options granted in fiscal 1997 was approximately \$11.99 per share.

The following table summarizes information about stock options outstanding at July 31, 1997:

<TABLE>
<CAPTION>

EXERCISE PRICE	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
	NUMBER	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE (YEARS)	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER	AVERAGE EXERCISE PRICE
<S>	<C>	<C>	<C>	<C>	<C>
\$ 0.05 - \$15.94	1,391,117	4.79	\$11.20	1,129,289	\$10.51
\$16.00 - \$21.88	1,452,393	7.62	\$21.24	385,738	\$20.54
\$22.63 - \$23.50	499,436	9.49	\$22.98	28,794	\$23.03
\$23.75 - \$23.75	3,241,956	8.60	\$23.75	91,878	\$23.75
\$23.94 - \$23.94	50,000	9.79	\$23.94	0	\$ 0.00
\$24.50 - \$24.50	1,166,205	9.88	\$24.50	216,666	\$24.50
\$25.00 - \$33.25	896,612	9.08	\$29.69	62,222	\$31.12
\$34.50 - \$84.00	250,383	8.55	\$43.49	16,432	\$44.51
-----	-----	-----	-----	-----	-----
\$ 0.05 - \$84.00	8,948,102	8.11	\$22.58	1,931,019	\$15.80
=====	=====	=====	=====	=====	=====

</TABLE>

9. PROFIT-SHARING AND BENEFIT PLANS

Profit-Sharing Plans

Intuit 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 fiscal 1995, 1996 and 1997 was approximately \$5.0 million, \$1.4 million and \$4.2 million, respectively.

Benefit Plans

At July 31, 1997, Intuit maintained two 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. Intuit matches a portion of employee contributions to a maximum amount per employee per year. As of July 31, 1997, employee contributions were matched at 25%, up to \$1,000, but these matching amounts are subject to change. Matching contributions were approximately \$3.6 million and \$1.6 million respectively for the years ended July 31, 1996 and 1997.

10. INCOME TAXES

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

<TABLE>
<CAPTION>

	YEAR ENDED JULY 31,		
	1995	1996	1997
(IN THOUSANDS)			

<S>	<C>	<C>	<C>
Current:			
Federal.....	\$ 31,899	\$ 15,732	\$ 29,117
State.....	7,157	3,116	5,843
Foreign.....	1,583	1,302	651
	-----	-----	-----
	40,639	20,150	35,611
Deferred:			
Federal.....	(13,638)	(3,378)	(18,144)
State.....	(2,705)	(547)	(4,726)
	-----	-----	-----
	(16,343)	(3,925)	(22,870)
Total.....	\$ 24,296	\$ 16,225	\$ 12,741
	=====	=====	=====

</TABLE>

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

<TABLE>
<CAPTION>

(IN THOUSANDS)	YEAR ENDED JULY 31,		
	1995	1996	1997
<S>	<C>	<C>	<C>
Income (loss) before income taxes.....	\$ (20,000)	\$ 1,870	\$ 9,809
	=====	=====	=====
Statutory federal income tax at 35%.....	\$ (7,000)	\$ 654	\$ 3,433
State income tax, net of federal benefit.....	2,950	1,670	785
Federal research and experimental credits.....	(1,000)	--	(4,100)
Non-deductible merger related charges.....	29,742	13,531	10,637
Tax exempt interest.....	(630)	(1,400)	(1,633)
Foreign losses.....	--	--	3,533
Other, net.....	234	1,770	86
	-----	-----	-----
Total.....	\$ 24,296	\$16,225	\$12,741
	=====	=====	=====

</TABLE>

The current federal and state provisions do not reflect the tax savings resulting from deductions associated with Intuit's various stock option plans. This savings was approximately \$13.2 million in fiscal 1995, \$18.9 million in fiscal 1996 and \$6.7 million in fiscal 1997. These amounts were credited to stockholders' equity.

Significant components of Intuit's deferred tax assets and liabilities for federal, state and foreign income taxes are as follows:

<TABLE>
<CAPTION>

(IN THOUSANDS)	JULY 31, 1996	JULY 31, 1997
<S>	<C>	<C>
Deferred tax assets:		
Accruals and reserves not currently deductible.....	\$ 20,317	\$ 27,275
Deferred foreign taxes.....	1,641	4,247
State income taxes.....	1,390	1,742
Merger charges.....	2,458	439
Restructuring charges.....	--	2,165
Fixed asset adjustments.....	--	6,903
Other, net.....	576	2,353
	-----	-----
Total deferred tax assets.....	26,382	45,124
Deferred tax liabilities:		
Deferred gain on discontinued operations.....	--	54,993
Unrealized gain on marketable securities.....	--	13,782
Fixed asset adjustments.....	285	--
Merger charges.....	2,513	--
	-----	-----
Total deferred tax liabilities.....	2,798	68,775
Total net deferred tax assets (liabilities).....	23,584	(23,651)
Valuation reserve due to foreign losses.....	--	(4,248)
	-----	-----
Total net deferred tax assets (liabilities), net of valuation reserve.....	\$ 23,584	\$ (27,899)
	=====	=====

</TABLE>

11. SIGNIFICANT CUSTOMER INFORMATION

One distributor accounted for 12% of net revenue in fiscal 1995, 13% of net revenue in fiscal 1996 and 14% of net revenue in fiscal 1997.

12. MICROSOFT MERGER TERMINATION

On October 13, 1994, Intuit announced a proposed merger agreement with Microsoft, which was subsequently terminated on May 20, 1995. 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

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quarter of fiscal 1995, Intuit received a \$46.3 million termination fee from Microsoft (\$41.3 million net of related expenses). The after-tax benefit to Intuit was approximately \$25.6 million.

13. LITIGATION

Intuit is subject to legal proceedings and claims that arise in the course of its business. Management currently believes that the ultimate amount of liability, if any, for any pending actions (either alone or combined) will not materially affect the financial position, results of operations or liquidity of Intuit. However, the ultimate outcome of any litigation is uncertain. An unfavorable outcome could have a material negative impact. In addition, any litigation, regardless of outcome, can have an adverse impact on Intuit because of defense costs, diversion of management resources and other factors.

14. SELECTED QUARTERLY CONSOLIDATED FINANCIAL DATA (UNAUDITED)

<TABLE>
<CAPTION>

(IN THOUSANDS, EXCEPT PER SHARE DATA)	FISCAL 1996 QUARTER ENDED			
	OCTOBER 31	JANUARY 31	APRIL 30	JULY 31(1)
<S>	<C>	<C>	<C>	<C>
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>

<TABLE>
<CAPTION>

(IN THOUSANDS, EXCEPT PER SHARE DATA)	FISCAL 1997 QUARTER ENDED			
	OCTOBER 31(2)	JANUARY 31	APRIL 30(3)	JULY 31
<S>	<C>	<C>	<C>	<C>
Net revenue.....	\$ 102,506	\$265,978	\$ 136,326	\$ 94,115
Cost of goods sold.....	27,085	58,735	29,443	23,507
All other costs and expenses.....	114,511	133,634	108,730	103,320
Income (loss) from continuing operations.....	(28,304)	44,700	488	(19,816)
Gain on sale of discontinued operations, net of tax.....	--	71,240	--	--
Net income (loss).....	(28,304)	115,940	488	(19,816)
Net income (loss) per share.....	(0.61)	2.44	0.01	(0.42)

</TABLE>

- (1) Includes a charge of \$8.0 million related to purchased research and development at the time of the IIS acquisition.
- (2) Includes a charge of \$4.9 million related to purchased research and development at the time of the GALT acquisition.
- (3) Includes a charge of \$6.1 million related to purchased research and development at the time of the Nihon Micom acquisition.

15. SUBSEQUENT EVENTS

On August 7, 1997, Intuit completed the sale of its consumer software and direct marketing subsidiary, Parsons Technology Inc. to Broderbund Software, Inc. for

approximately \$31 million. Parsons' revenue (excluding products not sold to Broderbund) was approximately 14% and 12% of total net revenue in fiscal 1996 and 1997, respectively. Parsons' assets that were sold to Broderbund were approximately \$17 million at July 31, 1997. Intuit does not anticipate that there will be a significant gain from this disposition, net of certain direct costs relating to the sale. The sale will be recorded in the first quarter of fiscal 1998.

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SCHEDULE II

INTUIT INC.

VALUATION AND QUALIFYING ACCOUNTS

<TABLE>
<CAPTION>

CLASSIFICATION (IN THOUSANDS)	BALANCE AT BEGINNING OF PERIOD	ADDITIONS CHARGED TO EXPENSE	WRITE-OFFS	BALANCE AT END OF PERIOD
Year ended July 31, 1995				
Allowance for doubtful accounts.....	\$ 2,520	\$ 2,176	\$ (2,288)	\$ 2,408
Reserve for returns and exchanges.....	\$ 11,339	\$ 62,374	\$ (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
Year ended July 31, 1997				
Allowance for doubtful accounts.....	\$ 4,951	\$ 3,308	\$ (3,760)	\$ 4,499
Reserve for returns and exchanges.....	\$ 24,203	\$ 73,775	\$ (61,668)	\$36,310

</TABLE>

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

INTRODUCTION

CAUTIONS ABOUT FORWARD-LOOKING STATEMENTS

This Form 10-K includes "forward-looking" statements about future financial results, future products and other events that have not yet occurred. For example, statements like Intuit "expects" or "anticipates" are forward-looking statements. Investors should be aware that actual results may differ materially from expectations because of risks and uncertainties about the future. In addition, Intuit will not necessarily update the information in this Form 10-K if any forward-looking statement later turns out to be inaccurate. Details about risks affecting various aspects of Intuit's business are included throughout this Form 10-K. Investors should read all of these risks carefully. See page 1 for more information about forward looking statements.

OVERVIEW

In this section, readers are given a more detailed assessment of Intuit's operating results and changes in financial position over the past three years. This section should be read in conjunction with the Consolidated Financial Statements and related Notes.

Intuit's mission is to revolutionize the way individuals and small businesses manage their finances. To achieve this, Intuit develops, sells and supports small business accounting, tax preparation and consumer finance software products and related supplies and services. Revenues come primarily from the United States, Japan, Germany, Canada, the United Kingdom and France through both retail distribution channels and direct customer sales. While substantially all of Intuit's revenue now comes from its core desktop software and related products and services, Internet-based services are expected to become a growing part of Intuit's business. For purposes of the following discussion, Internet-based services include online banking activities even though some of Intuit's online banking currently operates through a private data network rather than through the Internet. See page 2 for a discussion of Intuit's Internet strategy. In fiscal 1997, Intuit devoted significant financial resources to developing and acquiring Internet-based products and services, resulting in increased research and development expenses both in absolute dollars and as a percentage of net revenue. Despite these increasing costs and slower revenue growth, Intuit has experienced improved overall operating results over the past three years, primarily due to declining cost of sales and declining acquisition related charges as a percentage of revenue.

There were a number of one-time, non-recurring events that affected results during the past three years. In fiscal 1997, Intuit sold its electronic banking and bill payment subsidiary, Intuit Services Corporation ("ISC"), to Checkfree Corporation ("Checkfree"). The sale, which occurred in the second quarter,

resulted in a gain, net of tax, of \$71.2 million. Results for fiscal 1996 account for ISC as discontinued operations. In the fourth quarter of fiscal 1997, Intuit recorded a \$10.4 million charge from restructuring technical support operations in the United States and Europe. Intuit's Japanese subsidiary, Intuit KK, also acquired Nihon Micom Co. Ltd. ("Nihon Micom") in the third fiscal quarter making the combined company the largest Windows-based PC accounting software company in Japan. In the fourth fiscal quarter, Intuit announced the sale of its consumer software and direct marketing subsidiary, Parsons Technology, to Broderbund Software. The Parsons sale closed in August 1997 (after fiscal year end) and the results of this transaction will be recorded in the first quarter of fiscal 1998. Results for fiscal 1995 include a \$41.3 million merger termination fee, net of tax, received from Microsoft Corporation.

Intuit's business is highly seasonal. Sales of tax products are heavily concentrated from November through March. Sales of consumer finance products are typically strongest during the year-end holiday buying season, so major product launches usually occur in the fall to take advantage of this consumer buying pattern. These seasonal patterns mean that financial results are usually strongest during the quarters ending January 31 and April 30, and that operating losses are normal for the quarters ending July 31 and October 31. Operating results can also fluctuate from quarter to quarter for other reasons, such as changes in product launch dates,

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non-recurring events such as acquisitions, and product price cuts in quarters with relatively high fixed expenses. Because of these factors, Intuit believes that consecutive quarter comparisons of operating results are not meaningful and don't necessarily indicate future performance.

Intuit recognizes revenue at the time products are shipped, less reserves for expected returns from both the retail and direct channels. These return reserves are difficult to predict, especially for seasonal products. If at any point returns are materially higher than reserved amounts, this could have a negative impact on both revenue and operating results.

Intuit has acquired several businesses during the past three fiscal years. See Note 2 of the financial statements. Although Intuit believes these transactions were in the best interests of Intuit and its stockholders, there are significant risks associated with these transactions. The acquisitions have expanded Intuit's size, product lines, personnel and geographic locations. Intuit's ability to integrate and organize these new businesses has required improvements in its operational, financial and management information systems and further improvements will be necessary. Although Intuit 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 Intuit's results of operations.

RESULTS OF OPERATIONS

NET REVENUE

<TABLE>
<CAPTION>

	1995	CHANGE	1996	CHANGE	1997
<S>	<C>	<C>	<C>	<C>	<C>
(DOLLARS IN MILLIONS)					
Software.....	\$360.1	29%	\$463.0	11%	\$512.0
% of revenue.....	86%		86%		85%
Supplies.....	\$ 59.1	28%	\$ 75.6	15%	\$ 86.9
% of revenue.....	14%		14%		15%
Total.....	\$419.2	28%	\$538.6	11%	\$598.9

</TABLE>

Small Business Revenue. Small business software product revenues were driven by higher direct and retail sales during fiscal 1997, resulting in approximately 25% growth over fiscal 1996. This was primarily due to the QuickBooks product family, which released version 5.0 in December 1996. QuickBooks sales increases were the result of higher unit sales and a favorable shift in consumer buying patterns to higher priced, increased functionality products compared to fiscal 1996. In addition, growth was attributable to higher Payroll Tax Table sales in fiscal 1997 and an expanded fee-for-support program which charged users for telephone assistance with their QuickBooks products beginning in fiscal 1997. In fiscal 1996, small business products revenue grew significantly compared to 1995 due to higher unit sales of the QuickBooks product family as well as a positive shift in consumer preference toward higher priced, increased functionality products. Intuit plans to introduce a multi-user version of QuickBooks late in the 1998 fiscal year. If the release of this multiuser version is delayed, there could be an adverse effect on revenues and operating results for 1998.

Tax Revenue. Both personal and professional tax products experienced growth in fiscal 1997. Personal tax product revenues for fiscal 1997 grew by approximately 13% over 1996 as a result of increases in both direct and retail channel sales of Intuit's TurboTax and related products. Sales increases were attributable both to higher unit sales and a favorable shift in buying patterns to the higher priced business tax and CD ROM products. In addition, there were significant increases in direct product sales distributed via the Internet and in tax returns filed electronically in fiscal 1997 compared to 1996. Revenue growth occurred despite increased competition, particularly from H&R Block's TaxCut product, which was priced below the average selling price of Intuit's TurboTax product line. In fiscal 1996, personal tax product revenues grew significantly as a result of higher unit sales of the TurboTax product family compared to 1995. Professional tax product revenues grew by approximately 16% over the prior year due to strong customer acceptance of Windows-based product offerings, increased revenues for tax products that charge a fee for each return prepared, and a shift in customer

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preference to higher-priced "bundles" of professional tax products sold as one. Professional tax also experienced revenue growth for fiscal 1996 over 1995 driven by customer upgrades to higher-priced bundled products. While Intuit believes that recently passed tax legislation will bring new users to the personal tax preparation market, there can be no guarantee that revenue growth of its tax products will be maintained in the future, particularly in light of increased competition from TaxCut and others.

Consumer Finance and Internet-Based Revenue. Partially offsetting overall fiscal 1997 revenue growth was the negative impact of consumer finance software net revenues which declined by approximately 20% in fiscal 1997 from 1996. Fiscal 1997 software price reductions, combined with lower retail unit sales of Intuit's Quicken product line, were primarily responsible for the decline. In addition, a shift in consumer buying patterns away from the Deluxe versions of products and toward lower-priced regular product versions had an adverse impact on revenues. Consumer finance software product revenues were essentially flat in fiscal 1996 compared to 1995, resulting from a combination of higher unit sales and lower average selling prices, which was primarily attributable to an increase in lower-margin OEM (Original Equipment Manufacturer) unit sales. OEM agreements allow computer manufacturers to load Quicken onto their products in exchange for a payment that is substantially lower than the average selling price to the direct or traditional retail channel. Despite these lower selling prices, Intuit increased its distribution through OEM channels in order to acquire new customers. Intuit expects net revenue from the Quicken product line to continue declining in fiscal 1998, although the impact or extent of such a decline cannot be estimated.

In fiscal 1997, Intuit's Internet-based business generated participation fee, advertising and marketing-based revenues through its Quicken.com site, Interactive Insurance Services Corp. ("IIS"), mutual fund web sites and online banking connectivity services. Online banking revenue included a \$10 million fee from Checkfree for connectivity to Checkfree's bill payment service through Quicken. Though growth rates for Internet-based services were high, their contribution to total revenue was insignificant in fiscal 1997. In the fourth quarter of fiscal 1997, Intuit announced an agreement with Excite, Inc. ("Excite") making Intuit the exclusive provider of consumer financial content for all of Excite's Internet services. While Intuit believes that current and anticipated Internet-based offerings represent a significant opportunity for future revenue growth, potential revenue growth for fiscal 1998 and beyond is difficult to predict and may not be achieved.

International Revenue. Combined international product sales experienced significant growth during fiscal 1997, led by gains in the Japan and European regions. Combined international net revenue grew by approximately 28% (18% excluding the impact of the March 1997 acquisition of Nihon Micom in Japan).

In the Japan region, growth resulted from increased unit sales of small business accounting products across the Obanto(TM) and Kobanto(TM) product lines in fiscal 1997 compared to 1996. Intuit's Japanese subsidiary, Intuit KK, is now the largest Windows-based personal computer accounting software company in Japan based on the third quarter release of Kobanto for Windows and Yayoi(TM), a Windows-based product acquired from Nihon Micom. Intuit also plans to launch a Windows version of its higher-end Obanto product in fiscal 1998. Sales in the Japan region also improved in fiscal 1996 compared to 1995 due to the higher unit sales of the Obanto and Kobanto product lines.

In the European region, sales improved during fiscal 1997 compared to 1996, driven by Quicken product releases in Germany and the release of QuickBooks in the U.K. The European region also improved sales in fiscal 1996 compared to 1995 despite difficulties in meeting key launch dates in Germany which resulted in late deliveries into the retail channel and lower than anticipated net revenue.

In Canada, which is part of Intuit's Pacific region, fiscal 1997 and 1996 growth were both attributable to an increase in sales of Canadian versions of Quicken, QuickBooks and QuickTax products. In the Pacific region, revenues also grew as a

result of Intuit's entry into new markets in Southeast Asia and the initial release of Quicken in Brazil in fiscal 1997. While these new markets may represent areas of potential future growth, revenues generated in fiscal 1997 were not significant.

Supplies Revenue. Financial supplies net revenue increased by 15% in fiscal 1997 as the result of higher customized check, envelope and invoice orders from an increasing small business customer base. As a percentage of total net revenue, supplies revenue grew to 15% in fiscal 1997 from 14% in 1996 primarily as a

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result of lower overall software revenue growth in fiscal 1997 compared to 1996. While a substantial portion of supplies revenue is derived from customers who use consumer finance software, rather than small business software, to run small businesses, most of the fiscal 1997 supplies revenue growth was the result of increased small business (QuickBooks) product sales. Since supplies generate recurring revenues from Intuit's installed customer base, future growth is primarily a function of obtaining new software product users. The gradual increase in product upgrade sales as a percentage of total software revenue generally causes the growth rate of supplies to slow as the growth rate of new users declines. This, in addition to increased competition and the potential shift of software users to electronic bill payment services (which reduces demand for sales of check supplies) may have an adverse effect on the future growth rate of supplies revenues. Supplies net revenue grew by 28% in fiscal 1996 compared to 1995 due to the acquisition of new small business customers attained through the growth of QuickBooks product sales.

Parsons Revenue. In fiscal 1997, Parsons Technology, Intuit's consumer software and direct marketing subsidiary, experienced a slight decrease in net revenues reflecting general softness in the consumer software market. Intuit completed the sale of Parsons to Broderbund Software, Inc. in August 1997. Parsons' revenue (excluding products not sold to Broderbund) was approximately 12% and 14% of total net revenue in fiscal 1997 and 1996, respectively. The sale will be recorded in the first quarter of fiscal 1998. Intuit does not anticipate that there will be a significant gain from this disposition. See Note 15 to the financial statements.

COST OF GOODS SOLD

<TABLE>
<CAPTION>

	1995	CHANGE	1996	CHANGE	1997
	<C>	<C>	<C>	<C>	<C>

<S>					
(DOLLARS IN MILLIONS)					
Product.....	\$110.3	24%	\$136.5	1%	\$137.3
% of revenue.....	26%		25%		23%
Amortization of purchased software and other.....	\$ 11.4	(88)%	\$ 1.4	7%	\$ 1.5
% of revenue.....	3%		0%		0%

</TABLE>

Intuit has two categories of cost of goods sold. One is the direct cost of manufacturing and shipping products (including warranty costs). The other is the amortization of purchased software which is the cost of products obtained through acquisition. Total cost of goods sold decreased as a percentage of net revenue for fiscal 1997 compared to 1996. This was the result of improvements in supplies order processing, a reduction of obsolete inventory write-offs in Germany, lower materials costs, increasing sales of CD ROM products (which cost less per product to manufacture and ship than disks) and a decrease in warranty expenses in fiscal 1997 compared to 1996. Supplies cost of goods sold was approximately 40% of supplies net revenue in fiscal 1997 compared to approximately 42% in 1996 primarily due to more efficient order taking which resulted in fewer re-orders. Inventory write-offs in Germany were down in fiscal 1997 compared to 1996 when product launch delays resulted in excess inventory write-offs. Higher product quality led to lower warranty expenses in fiscal 1997 compared to 1996. While Intuit plans to take action to continue to decrease cost of goods sold expenses as a percentage of net revenue, there can be no assurance that this will occur or that margins will continue at their current rates. If there are errors in Intuit's current or future products, there could be significant increases in cost of goods sold and an adverse effect on operating results. Specifically, new tax law changes that impact tax products and the release of the QuickBooks multi-user product may increase the risk of product errors in fiscal 1998. The cost of providing future telephone assistance to customers (post-contract customer support) is accrued at the time revenue is recognized and is included in customer service and technical support expenses, rather than cost of goods sold.

Cost of goods sold also decreased as a percentage of net revenue for fiscal 1996 compared to 1995. In addition to a reduction in the amortization of purchased software, efficiencies occurred primarily through supplies cost of goods sold which decreased to 42% of supplies net revenue in fiscal 1996 compared to 43% in 1995. This improvement was driven by lower materials costs. Better product

quality also led to lower warranty expenses in fiscal 1996 compared to 1995.

OPERATING EXPENSES

<TABLE>
<CAPTION>

	1995	CHANGE	1996	CHANGE	1997
<S>	<C>	<C>	<C>	<C>	<C>
(DOLLARS IN MILLIONS)					
Customer service and technical support.....	\$ 75.1	42%	\$106.9	12%	\$119.8
% of revenue.....	18%		20%		20%
Selling and marketing.....	\$109.4	30%	\$142.3	14%	\$162.0
% of revenue.....	26%		26%		27%
Research and development.....	\$ 57.3	32%	\$ 75.6	23%	\$ 93.0
% of revenue.....	14%		14%		16%
General and administrative.....	\$ 26.4	25%	\$ 33.1	13%	\$ 37.5
% of revenue.....	6%		6%		6%
Charge for purchased research and development.....	\$ 52.5	(85)%	\$ 8.0	38%	\$ 11.0
% of revenue.....	13%		1%		2%
Other acquisition costs, including amortization of goodwill and purchased intangibles.....	\$ 41.8	(3)%	\$ 40.6	(35)%	\$ 26.5
% of revenue.....	10%		8%		4%
Restructuring costs.....	--	0%	--	100%	\$ 10.4
% of revenue.....	--		--		2%

</TABLE>

Customer Service and Technical Support. Customer service and technical support expenses remained constant at approximately 20% of net revenue for both fiscal 1997 and 1996. International technical support cost increases were offset by improved management of domestic technical support facilities and resources and higher product quality in fiscal 1997 compared to 1996. In the fourth quarter of fiscal 1997, Intuit announced a restructuring and consolidation of its technical support facilities in both the United States and Europe. While this consolidation is expected to result in reduced technical support costs as a percentage of revenue in fiscal 1998, there can be no assurance that such reduction will occur. With the significant enhancements to Intuit's tax and small business products planned for fiscal 1998, demands for customer service and technical support could significantly increase in fiscal 1998.

Fiscal 1996 customer service and technical support costs increased to 20% of net revenue compared to 18% in 1995. This increase was attributable to QuickBooks small business customers placing greater than expected demands on customer support and an increase in staffing and training personnel in fiscal 1996 in order to improve service levels in response to fiscal 1995 product quality issues. In fiscal 1996, Intuit increased spending in support capabilities to provide service to Intuit's online banking and bill payment customer base.

Selling and Marketing. Selling and marketing expenses for fiscal 1997 grew to 27% of net revenue compared to 26% in 1996. This increase was due to higher marketing expenses in response to increased tax product competition and the support of several key international product launches. As a percentage of net revenue, selling and marketing expenses remained flat at 26% for fiscal 1996 compared to 1995.

Research and Development. Research and development expenses grew to 16% of net revenue in fiscal 1997 compared to 14% in 1996. This increase reflects Intuit's investment in Internet-related initiatives as well as development efforts for desktop software. Specifically, expenses rose as a result of development costs related to IIS which allows customers to shop for term life insurance via the Internet from participating insurance carriers, development work on Open Financial Exchange (a specification for the exchange of financial information over the Internet) and the development of other financially-related web sites. Research and

development costs remained flat, at 14% of net revenue, for fiscal 1996 compared to 1995. As part of the Excite agreement which was announced in the fourth quarter of fiscal 1997, Intuit has agreed to become the exclusive provider of consumer financial content for all of Excite's Internet services. Intuit believes that this initiative as well as the ongoing development of both existing and future Internet-based offerings will result in higher research and

development expenses as a percentage of net revenue for fiscal 1998. While the degree of potential increases in research and development costs cannot be estimated, they may have an adverse effect on operating results, particularly if revenue from these services does not meet expectations.

General and Administrative. General and administrative expenses remained essentially flat at 6% of net revenue for fiscal 1997, 1996 and 1995. Intuit expects these costs to remain flat as a percentage of revenue in fiscal 1998 though there can be no assurance that these costs will not increase.

Charge for Purchased Research and Development. The charge for purchased research and development was \$11.0 million in fiscal 1997 compared to \$8.0 million in 1996 and \$52.5 million in 1995. These expenses represent one-time charges incurred as part of an acquisition based on the amount of the purchase price allocated to acquired products that are under development. Consistent with applicable accounting standards, for each acquisition accounted for as a purchase, Intuit determined the amounts allocated to developed and in-process research and development based on whether technological feasibility had been achieved and whether there was an alternative future use for the technology. The fiscal 1997 charge of \$11.0 million was due to the acquisition of GALT Technologies, Inc. ("GALT") (\$4.9 million) and Nihon Micom (\$6.1 million). The fiscal 1996 charge of \$8.0 million was attributable to the acquisition of IIS. The fiscal 1995 charge of \$52.5 million was the result of the acquisition of Personal News Inc. (\$8.5 million) and Parsons Technology (\$44.0 million). Since these charges are specific to a particular acquisition, Intuit is unable to estimate what these charges may be in the future.

Other Acquisition Costs. Other acquisition costs, including amortization of goodwill and purchased intangibles, decreased by \$14.1 million to \$26.5 million in fiscal 1997 and remained roughly flat in absolute dollars for fiscal 1996 compared to 1995. These costs are primarily due to the amortization of goodwill and purchased intangibles which are recorded as part of an acquisition under the purchase method of accounting (See Note 1 of Notes to Consolidated Financial Statements). The decrease in fiscal 1997 was primarily attributable to the majority of the intangibles related to the fiscal 1994 acquisition of ChipSoft, Inc. becoming fully amortized during the year. The high levels of non-cash amortization expense related to completed acquisitions will continue to have a negative impact on operating results in future periods. Assuming no additional acquisitions and no impairment of value resulting in an acceleration of amortization, future amortization will reduce net income by approximately \$18.9 million, \$15.9 million and \$8.2 million for the years ending July 31, 1998 through 2000, respectively. If Intuit completes additional acquisitions in the future, there could be an incremental negative impact on operating results from future amortization relating to such acquisitions.

Restructuring Costs. Restructuring charges of \$10.4 million were recorded in Intuit's fourth quarter to account for its consolidation of technical support operations in the U.S. and Europe. As part of the restructuring, Intuit is closing its Rio Rancho, New Mexico customer support facility. This restructuring is

expected to eventually result in improved operational efficiencies particularly relating to technical support costs, but there can be no assurance that such improvements will occur.

OTHER INCOME

<TABLE>
<CAPTION>

	1995	CHANGE	1996	CHANGE	1997
<S>	<C>	<C>	<C>	<C>	<C>
(DOLLARS IN MILLIONS)					
Microsoft merger termination fee, net.....	\$41.3	(100)%	\$ --	0%	\$ --
% of revenue.....	10%		--		--
Interest and other income and expense, net.....	\$ 3.7	105%	\$ 7.6	29%	\$ 9.8
% of revenue.....	1%		1%		2%

</TABLE>

The Microsoft termination fee was recorded in the fourth quarter of fiscal 1995, upon the announcement that Intuit's October 1994 merger agreement with Microsoft was terminated. The proposed merger was opposed in a lawsuit brought by the U.S. Department of Justice, and the two companies were unable to agree to pursue the litigation. As a result, Intuit received a \$46.3 million termination fee from Microsoft (\$41.3 million net of related expenses). The after-tax benefit to Intuit was approximately \$25.6 million.

Interest and other income and expense, net, increased by \$2.2 million in fiscal 1997 compared to 1996. This increase resulted from higher interest income due to higher average cash and short-term investment balances generated primarily from Intuit's operating activities during the year. Interest and other income and

expense, net, grew by \$3.9 million in fiscal 1996 compared to 1995 as a result of higher interest income since Intuit received the Microsoft merger termination proceeds in the fourth quarter of fiscal 1995.

As of July 31, 1997, Intuit had significant investments in Checkfree and Excite common stock. If these or other future investments become impaired (more than a temporary decline in value), or if they are sold at a substantial loss, the decline in value or loss would be reflected as other expense and there could be a material adverse impact on net income.

INCOME TAXES

<TABLE>
<CAPTION>

	1995	CHANGE	1996	CHANGE	1997
<S>	<C>	<C>	<C>	<C>	<C>
(DOLLARS IN MILLIONS)					
Provision for income taxes.....	\$ 24.3	(33)%	\$ 16.2	(22)%	\$ 12.7
% of revenue.....	6%		3%		2%

</TABLE>

Income tax expense, excluding the tax effect of the gain on sale of ISC, declined in fiscal 1997 compared to 1996. Fiscal 1996 tax expense, which excluded the benefit of discontinued operations, was lower compared to 1995. The tax provision reflects the non-deductible status of both the in-process research and development charges and the amortization of goodwill. At July 31, 1997, there was a valuation allowance of \$4.2 million for tax assets of Intuit's international subsidiaries based on management's assessment that Intuit may not receive the benefit of certain loss carryforwards.

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DISCONTINUED OPERATIONS

<TABLE>
<CAPTION>

	1995	CHANGE	1996	CHANGE	1997
<S>	<C>	<C>	<C>	<C>	<C>
(DOLLARS IN MILLIONS)					
Loss from operations of discontinued operations, net.....	\$ --	(100)%	\$ (6.3)	100%	\$ --
% of revenue.....	--		(1)%		--
Gain from sale of discontinued operations, net.....	\$ --	0%	\$ --	100%	\$ 71.2
% of revenue.....	--		--		12%

</TABLE>

Discontinued operations accounting was implemented by Intuit for fiscal 1996 as a result of the announced sale of ISC to Checkfree. This accounting method requires that all activity for the disposed business be separated and reclassified in one line item on the Consolidated Statement of Operations. Consequently, a loss from operations of discontinued operations, net of tax, of \$6.3 million was reported for all of ISC's fiscal 1996 results. In Intuit's second quarter of fiscal 1997, the sale of ISC was completed, and a gain of \$71.2 million was recorded, net of tax.

LIQUIDITY AND CAPITAL RESOURCES

As of July 31, 1997, cash and cash equivalents were \$46.8 million compared to \$44.6 million as of July 31, 1996. Unrestricted short-term investments were \$158.3 million and \$153.4 million respectively. Liquidity improvements were the result of net cash provided by operating and financing activities offset by net cash used by investing activities. In fiscal 1997, \$81.1 million in cash was provided from operating activities driven by net income adjusted for depreciation and acquisition-related expenses, higher accrued liabilities and lower accounts receivable balances in fiscal 1997 compared to 1996. Accrued liabilities rose by approximately \$22.9 million in fiscal 1997 primarily as a result of higher returns reserve and dealer advertising accruals. Accounts receivable balances were down by approximately \$7.5 million in fiscal 1997 due in part to improved collection efforts both domestically and internationally.

Investing activities used \$118 million in cash for fiscal 1997. This reflects Intuit's purchase of approximately \$27.6 million of property and equipment for ongoing operations, the buildup of Internet-related infrastructure and the relocation to new facilities in Mountain View and San Diego, California. In addition, Intuit used approximately \$39.2 million in cash to purchase its 19% interest in Excite and approximately \$34.2 million for acquisition and disposition-related activity, most notably the acquisition of Nihon Micom. Offsetting these uses of cash was the sale of two million shares of Intuit's common stock investment in Checkfree which provided \$29.5 million.

Financing activities provided Intuit with \$39.0 million in cash in fiscal 1997.

This was primarily attributable to an increase in long term debt of approximately \$30.3 million issued by Intuit's subsidiary, Intuit KK, to fund its cash payment to acquire Nihon Micom. Intuit has guaranteed this debt and at July 31, 1997, approximately \$34.8 million of Intuit's short-term investments were restricted and pledged as security for these borrowings. Intuit also received cash proceeds of approximately \$9.4 million for common stock issued to employees under its stock option and purchase plans.

Intuit enters into leases for new or expanded facilities in the normal course of its business. During fiscal 1996, Intuit began moving its headquarters from Menlo Park, California to larger facilities in Mountain View, California. The move is expected to be complete by the end of calendar year 2000. Intuit also relocated its operations in San Diego, California to a new office facility in June 1996. Intuit leases various other properties throughout the world. Intuit has no other significant capital expenditure commitments, although there may be additional cash requirements for strategic acquisitions in the future.

Intuit believes that its cash and short-term investments will be sufficient to meet anticipated seasonal working capital and capital expenditure requirements for at least the next fiscal year.

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

Not applicable.

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PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information about directors that is required by this Item is incorporated by reference to our Proxy Statement for our January 1998 Annual Meeting of Stockholders. Information about executive officers that is required by this Item can be found in Item 4A on page 15.

ITEM 11. EXECUTIVE COMPENSATION

This information is incorporated by reference to our Proxy Statement for our January 1998 Annual Meeting.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

This information is incorporated by reference to our Proxy Statement for our January 1998 Annual Meeting.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

This information is incorporated by reference to our Proxy Statement for our January 1998 Annual Meeting.

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:

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

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

<TABLE>

<CAPTION>

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2.02(1)	Agreement and Plan of Reorganization by and between Intuit and GALT Technologies, Inc. dated as of October 24, 1995; Stipulation and Amendment No. 1 dated November 3, 1995; Amendment No. 2 dated January 7, 1996; and the related Agreement of Merger dated September 3, 1996 (other schedules and similar attachments will be furnished to the Commission upon request)
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2.04(2)	Amendment No. 1 to Agreement and Plan of Merger dated as of September 15, 1996 by and among Intuit Inc., Intuit Services Corporation, Checkfree Corporation and Checkfree Acquisition Corporation II

2.05(3)	Amended and Restated Checkfree Corporation Stock Restriction Agreement dated September 15, 1996 between Intuit and Checkfree Corporation
2.06(4)	Stock Purchase Agreement, dated as of June 11, 1997, between Excite, Inc. and Intuit
2.07(5)	Stock Purchase Agreement dated as of August 6, 1997 by and among Intuit, Broderbund Software, Inc. and Parsons Technology, Inc. (other schedules and similar attachments to be furnished to the Commission upon request)
2.08(2)	Amended and Restated Registration Rights Agreement dated as of September 15, 1996 between Intuit and Checkfree Corporation

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2.10(4)	Registration Rights Agreement, dated as of June 25, 1997, between Excite, Inc. and Intuit
2.11(4)	Right of First Refusal Agreement, dated as of June 25, 1997, between Excite, Inc. and Intuit
2.12(4)	Amendment to Restated and Amended Investors' Rights Agreement, dated as of June 25, 1997, among Excite, Inc., Institutional Venture Partners VI, Institutional Venture Management VI, IVP Founders Fund I, L.P., Kleiner Perkins Caufield & Byers VII, KPCB VII Founders Fund, KPCB Information Sciences Zaibatsu Fund II and Intuit
3.01(6)	Certificate of Incorporation of Intuit dated February 1, 1993
3.02(7)	Certificate of Amendment to Intuit's Certificate of Incorporation dated December 14, 1993
3.03(8)	Certificate of Amendment to Intuit's Certificate of Incorporation dated January 18, 1996
3.04(6)	Bylaws of Intuit
4.01(6)	Form of Specimen Certificate for Intuit's Common Stock
10.01(6)+	Intuit 1988 Stock Option Plan and related documents.
10.02(6)+	Intuit's form of Non-Plan Non-Qualified Stock Option Agreement
10.03(6)	Form of Indemnification Agreement entered into by Intuit with each of its directors and certain executive officers
10.04(9)+	1992 Stock Option Plan of ChipSoft
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10.06(9)+	1989 Stock Option Plan of ChipSoft
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10.09(9)+	Form of Incentive Stock Option Agreement under the Softview Acquisition Plan of ChipSoft
10.10(9)+	Restricted Stock Purchase Agreement dated as of March 28, 1991, between ChipSoft and Alan A. Gleicher
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10.13(7)+	Letter Agreement of Employment dated March 30, 1994 between Intuit and William V. Campbell
10.14(7)	Contract for Purchase of Land dated July 25, 1994 between Intuit and Amrep Southwest, Inc.
10.15(10)+	Severance Agreement dated September 30, 1994 between Intuit and Charles H. Gaylord, Jr.
10.16(10)	Indenture dated as of September 1, 1994 among the City of Rio Rancho, New Mexico ("Rio Rancho"), Intuit and Sunwest Bank of Albuquerque, N.A. ("Sunwest Bank")

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10.17(10)	Lease and Purchase Agreement dated as of September 1, 1994 between Intuit and Rio Rancho
10.18(10)	Bond Purchase Agreement dated October 12, 1994 among ChipSoft, Inc., Rio Rancho and Intuit as assigned to Greenco Subsidiary Corporation
10.19(10)	Construction Loan Agreement effective September 29, 1994 between Sunwest Bank and Intuit and the related Collateral Assignments
10.20(10)	Mortgage dated July 24, 1994 between Intuit and Sunwest Bank, as amended September 29, 1994
10.21(10)	Amended and Restated Real Estate Mortgage Note dated September 29, 1994 issued by Intuit to Sunwest Bank

10.22(11)	Lease Agreement dated as of November 30, 1994 between Intuit and Charleston Properties for 2700 Coast Drive, Mountain View, California to commence on January 1, 1999
10.23(11)	Lease Agreement dated as of November 30, 1994 between Intuit and Charleston Properties for 2750 Coast Drive, Mountain View, California to commence on January 1, 1998
10.24(11)	Lease Agreement dated as of November 30, 1994 between Intuit and Charleston Properties for 2475 Garcia Drive, Mountain View, California
10.25(11)	Lease Agreement dated as of November 30, 1994 between Intuit and Charleston Properties for 2525 Garcia Drive, Mountain View, California
10.26(11)	Lease Agreement dated as of November 30, 1994 between Intuit and Charleston Properties for 2535 Garcia Drive, Mountain View, California
10.27*	Lease Agreement dated as of November 30, 1994 between Intuit and Charleston Properties for 2500 Garcia Drive, Mountain View, California
10.28*	Lease Agreement dated as of November 30, 1994 between Intuit and Charleston Properties for 2550 Garcia Drive, Mountain View, California
10.29(11)	Option Agreement dated as of November 30, 1994 between Intuit and Charleston Properties for 2650 Casey Drive, Mountain View, California
10.30(12)	Build-to-Suit Lease Agreement dated as of June 5, 1995 between Intuit and UTC Greenwich Partners, a California limited partnership
10.31(12)	Lease Agreement dated as of August 31, 1995 between Intuit and Airport Business Center Associates Limited Partnership, an Arizona limited partnership
10.32(13)	Supply Agreement dated August 23, 1995 by and between Intuit Inc. and John H. Harland Company
10.33(2)+	Intuit Inc. 1993 Equity Incentive Plan, as amended through November 25, 1996
10.34*+	Intuit Inc. 1996 Employee Stock Purchase Plan, as adopted on October 7, 1996 and amended through July 30, 1997
10.35(2)+	Intuit Inc. 1996 Directors Stock Option Plan, as adopted on October 7, 1996
10.36(14)	Noncompetition Agreements dated as of October 24, 1995 between Intuit and certain former GALT shareholders
10.37(5)	Distribution, Assumption and Assignment Agreement dated as of August 7, 1997 between Intuit and Parsons Technology, Inc. (schedules and attachments thereto to be furnished to the Commission upon request)
11.01*	Computation of Net Income(Loss) Per Share
21.01*	List of Intuit's Subsidiaries

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<C>

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23.01*

Consent of Ernst & Young LLP, Independent Auditors

24.01*

Power of Attorney (see signature page)

27.01*

Financial Data Schedule (filed only in electronic format)

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- - - - -

+ Indicates a management contract or compensatory plan or arrangement

* Filed with this Form 10-K

- (1) Filed as an exhibit to Intuit's Form 10-K for the fiscal year ended July 31, 1996, filed on October 24, 1996 and incorporated by reference
- (2) Filed as an exhibit to Intuit's Form 10-Q for the quarter ended January 31, 1997, filed on March 14, 1997 and incorporated by reference
- (3) Incorporated by reference from Intuit's report on Schedule 13D with respect to its beneficial ownership of shares of Checkfree Corporation filed on February 6, 1997
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- (15) Filed as an exhibit to Checkfree's Form 8-K filed with the Commission on December 6, 1996

(b) REPORTS ON FORM 8-K

On June 11, 1997, Intuit filed a report on Form 8-K to report under Item 5 its investment in and strategic relationship with Excite, Inc.

(c) EXHIBITS

See Item 14(a)(3) above.

(d) FINANCIAL STATEMENT SCHEDULES

See Item 14(a)(2) above.

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SIGNATURES

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

INTUIT INC.

Dated: October 15, 1997

By: /s/ GREG J. SANTORA

 Greg J. Santora
 Vice President and Chief Financial
 Officer

POWER OF ATTORNEY

By signing this Form 10-K below, I hereby appoint each of William V. Campbell and Greg J. Santora as my attorney-in-fact to sign all amendments to this Form 10-K on my behalf, and to file this Form 10-K (including all exhibits and other documents related to the Form 10-K) with the Securities and Exchange Commission. I authorize each of my attorneys-in-fact to (1) appoint a substitute attorney-in-fact for himself and (2) perform any actions that he believes are necessary or appropriate to carry out the intention and purpose of this Power of Attorney. I ratify and confirm all lawful actions taken directly or indirectly by my attorneys-in-fact and by any properly appointed substitute attorneys-in-fact.

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 and in the capacities and on the dates indicated.

<TABLE>
 <CAPTION>

NAME	TITLE	DATE
----- <C> PRINCIPAL EXECUTIVE OFFICER:	<S>	<C>
/s/ WILLIAM V. CAMPBELL ----- William V. Campbell	President, Chief Executive Officer and Director	October 15, 1997
PRINCIPAL FINANCIAL OFFICER AND PRINCIPAL ACCOUNTING OFFICER:		
/s/ GREG J. SANTORA ----- Greg J. Santora	Vice President and Chief Financial Officer	October 15, 1997

ADDITIONAL DIRECTORS:

/s/ SCOTT D. COOK	Chairman of the Board of Directors	October 15, 1997

Scott D. Cook		
/s/ CHRISTOPHER W. BRODY	Director	October 15, 1997

Christopher W. Brody		
/s/ L. JOHN DOERR	Director	October 15, 1997

L. John Doerr		
/s/ MICHAEL R. HALLMAN	Director	October 15, 1997

Michael R. Hallman		
/s/ BURTON J. MCMURTRY	Director	October 15, 1997

Burton J. McMurtry		

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(c) EXHIBITS

See Item 14(a) (3) above.

(d) FINANCIAL STATEMENT SCHEDULES

See Item 14(a) (2) above.

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LEASE AGREEMENT

THIS LEASE, made this 30th day of November, 1994 between CHARLESTON PROPERTIES, a California General Partnership, hereinafter called Landlord, and INTUIT, INC., a Delaware Corporation, hereinafter called Tenant.

WITNESSETH:

Landlord hereby leases to Tenant and Tenant hereby hires and takes from Landlord those certain premises (the "Premises") outlined in red on Exhibit "A", attached hereto and incorporated herein by this reference thereto more particularly described as follows:

The entire two story building comprising 42,632 gross square feet of space located in Mountain View, Santa Clara County, California and further identified at the following address: 2500 Garcia. The building leased hereunder shall be known between Landlord and Tenant as Building Two.

As used herein the Complex shall mean and include all of the land outlined in red and described in Exhibit "B", attached hereto, and all of the buildings, improvements, fixtures and equipment now or hereafter situated on said land. The Complex of which the Premises form a part shall further be known as Complex 2.

Said letting and hiring is upon and subject to the terms, covenants and conditions hereinafter set forth and Tenant covenants as a material part of the consideration for this Lease to perform and observe each and all of said terms, covenants and conditions. This Lease is made upon the conditions of such performance and observance.

1. USE Tenant shall use the Premises only in conformance with applicable governmental laws, regulations, rules and ordinances for the purpose of office, sales, R&D and related uses necessary for Tenant to conduct its business, provided such uses are permitted and conform to City zoning laws and all other governmental laws, requisitions, rules and ordinances.

and for no other purpose. Tenant shall not do or permit to be done in or about the Premises or the Complex nor bring or keep or permit to be brought or kept in or about the Premises or the Complex anything which is prohibited by or will in any way increase the existing rate of (or otherwise affect) fire or any insurance covering the Complex or any part thereof, or any of its contents, or will cause a cancellation of any insurance covering the Complex or any part thereof, or any of its contents. Tenant shall not do or permit to be done anything in, on or about the Premises or the Complex which will in any way obstruct or interfere with the rights of other tenants or occupants of the Complex or injure or annoy them, or use or allow the Premises to be used for any improper, immoral, unlawful or objectionable purpose, nor shall Tenant cause, maintain or permit any nuisance in, on or about the Premises or the Complex. No sale by auction shall be permitted on the Premises. Tenant shall not place any loads upon the floors, walls, or ceiling, which endanger the structure, or place any harmful fluids or other materials in the drainage system of the building, or overload existing electrical or other mechanical systems. No waste materials or refuse shall be dumped upon or permitted to remain upon any part of the Premises or outside of the building in which the Premises are a part, except in trash containers placed inside exterior enclosures designated by Landlord for that purpose or inside of the building proper where designated by Landlord. No materials, supplies, equipment, finished products or semi-finished products, raw materials or articles of any nature shall be stored upon or permitted to remain outside the Premises or on any portion of common area of the Complex. No loudspeaker or other device, system or apparatus which can be heard outside the Premises shall be used in or at the Premises without the prior written consent of Landlord. Tenant shall not commit or suffer to be committed any waste in or upon the Premises. Tenant shall indemnify, defend and hold Landlord harmless against any loss, expense, damage, attorneys' fees, or liability arising out of failure of Tenant to comply with any applicable law whose compliance is Tenant's obligation hereunder. Tenant shall comply with any covenant, condition, or restriction ("CC&R's") affecting the Premises. The provisions of this paragraph are for the benefit of Landlord only and shall not be construed to be for the benefit of any tenant or occupant of the Complex.

2. TERM

A. The term of this Lease shall be for a period of eight years (8) years (unless sooner terminated as hereinafter provided) and, subject to Paragraphs 2(B) and 3, shall commence on the 1st day of January, 1997, and end on the 31st day of December, 2004.

B. Possession of the Premises shall be deemed tendered and the term of

this Lease shall commence when the first of the following occurs:

Ninety days after the date Landlord offers Tenant possession of the Premises for the commencement of construction of Tenant Improvements (if any); or

(2) Upon the occupancy of the Premises by any of Tenant's operating personnel; or

(3) n/a

(This paragraph 2 is continued on page 10 below)

3. POSSESSION If Landlord, for any reason whatsoever, cannot offer possession of said Premises to Tenant at the commencement of the said term, as hereinbefore specified, this Lease shall not be void or voidable; no obligation of Tenant shall be affected thereby; nor shall Landlord or Landlord's agents be liable to Tenant for any loss or damage resulting therefrom (subject to the provisions of paragraph 2.B.(1) on page 10 below) but in that event the commencement and termination dates of the Lease, and all other dates affected thereby shall be revised to conform to the date of Landlord's delivery of possession, as specified in Paragraph 2(b), above. The above is, however, subject to the provision that the period of delay of delivery of the premises shall not exceed 90 days from the commencement date herein (except those delays caused by Acts of God, strikes, war, utilities, governmental bodies, weather, unavailable materials, and delays beyond Landlord's control shall be excluded in calculating such period) in which instance Tenant, at its option, may, by written notice to Landlord, terminate this Lease. Notwithstanding anything herein to the contrary, if Landlord has not offered possession to Tenant of the Premises by February 1, 1997 then Tenant may cancel this Lease.

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4. RENT

A. Basic Rent. Tenant agrees to pay to Landlord at such place as Landlord may designate without deduction, offset, prior notice, or demand, and Landlord agrees to accept as Basic Rent for the leased Premises the total sum of Six Million, Four Hundred Forty Five Thousand Nine Hundred Fifty Eight and 40/100. (\$6,445,958.40 _____) Dollars in lawful money of the United States of America, payable as follows:

Paragraph 4A is continued on page 10 below.

B. Time for Payment. In the event that the term of this Lease commences on a date other than the first day of a calendar month, on the date of commencement of the term hereof Tenant shall pay to Landlord as rent for the period from such date of commencement to the first day of the next succeeding calendar month that proportion of the monthly rent hereunder which the number of days between such date of commencement and the first day of the next succeeding calendar month bears to thirty (30). In the event that the term of this Lease for any reason ends on a date other than the last day of a calendar month, on the first day of the last calendar month of the term hereof Tenant shall pay to Landlord as rent for the period from said first day of said last calendar month to and including the last day of the term hereof that proportion of the monthly rent hereunder which the number of days between said first day of said last calendar month and the last day of the term hereof bears to thirty (30).

C. Late Charge. Notwithstanding any other provision of this Lease, if Tenant is in default in the payment of rent as set forth in this Paragraph 4 when due, or any part thereof, Tenant agrees to pay Landlord, in addition to the delinquent rental due, a late charge for each rental payment in default ten (10) days. Said late charge shall equal ten (10%) percent of each rental payment so in default. Landlord shall not assess a late charge after such 10 day period unless Landlord thereafter notifies Tenant by telephone or fax that Tenant's rental is delinquent and said rental remains delinquent for 48 hours after said notice to Tenant.

D. Additional Rent. Beginning with the commencement date of the term of this Lease, Tenant shall pay to Landlord in addition to the Basic Rent and as Additional Rent the following:

- (1) Tenant's proportionate share of all utilities relating to the Complex as set forth in Paragraph 11, and
- (2) Tenant's proportionate share of all Taxes relating to the Complex as set forth in Paragraph 12, and
- (3) Tenant's proportionate share of all insurance premiums

relating to the Complex, as set forth in Paragraph 15, and

- (4) Tenant's proportionate share of expenses for the operation, management, maintenance and repair of the Building (including common areas of the Building) and Common Areas of the Complex in which the Premises are located as set forth in Paragraph 7, and
- (5) All charges, costs and expenses, which Tenant is required to pay hereunder, together with all interest and penalties, costs and expenses including attorneys' fees and legal expenses, that may accrue thereto in the event of Tenant's failure to pay such amounts, and all damages, reasonable costs and expenses which Landlord may incur by reason of default of Tenant or failure on Tenant's part to comply with the terms of this Lease. In the event of nonpayment by Tenant of Additional Rent, Landlord shall have the rights and remedies with respect thereto as Landlord has for nonpayment of rent.

Tenant shall pay to Landlord monthly, in advance, Tenant's prorata share of an amount estimated by Landlord to be Landlord's approximate average monthly expenditure for such Additional Rent items, which estimated amount shall be reconciled within 120 days of the end of each calendar year as compared to Landlord's actual expenditure for said Additional Rent items, with Tenant paying to Landlord, upon demand, any amount of actual expenses expended by Landlord in excess of said estimated amount, or Landlord refunding to Tenant (providing Tenant is not in default in the performance of any of the terms, covenants and conditions of this Lease) any amount of estimated payments made by Tenant in excess of Landlord's actual expenditures for said Additional Rent items. Landlord shall provide Tenant reasonably adequate supportive documentation to the reconciliation. Landlord's estimate of 1994 expense and Tenant's payment for such Additional Rent as of the commencement of the term of this lease shall be Six Thousand Six Hundred and 00/100 (\$6,600.00) Dollars per month. Any payments required to be made by Tenant for Additional Rent shall be made by check or instrument separate from that check or instrument used by Tenant to make any payments for Basic Rent, pursuant to paragraph 4 A.

The respective obligations of Landlord and Tenant under this paragraph shall survive the expiration or other termination of the term of this Lease, and if the term hereof shall expire or shall otherwise terminate on a day other than the last day of a calendar year, the actual Additional Rent incurred for the calendar year in which the term hereof expires or otherwise terminates shall be determined and settled on the basis of the statement of actual Additional Rent for such calendar year and shall be prorated in the proportion which the number of days in such calendar year preceding such expiration or termination bears to 365.

(Paragraph 4D is continued below)

E. Place of Payment of Rent and Additional Rent. All Basic Rent hereunder and all payments hereunder for Additional Rent shall be paid to Landlord at the office of Landlord at 3201 Ash Street, Palo Alto, CA 94306 or to such other person or to such other place as Landlord may from time to time designate in writing.

F. Security Deposit. Concurrently with Tenant's execution of this Lease, Tenant shall deposit with Landlord the sum of Seventy-Five Thousand and 00/100 (\$75,000.00) Dollars. Said sum shall be held by Landlord as a Security Deposit for the faithful performance by Tenant of all of the terms, covenants, and conditions of this Lease to be kept and performed by Tenant during the term hereof. If Tenant defaults with respect to any provision of this Lease, including, but not limited to, the provisions relating to the payment of rent and any of the monetary sums due herewith, Landlord may (but shall be required to) use, apply or retain all or any part of this Security Deposit for the payment of any other amount which Landlord may spend by reason of Tenant's default or to compensate Landlord for any other loss or damage which Landlord may suffer by reason of Tenant's default. If any portion of said Deposit is so used or applied, Tenant shall, within ten (10) days after written demand therefor, deposit cash with Landlord in the amount sufficient to restore the Security Deposit to its original amount. Tenant's failure to do so shall be a material breach of this Lease. Landlord shall not be required to keep this Security Deposit separate from its general funds, and Tenant shall not be entitled to interest on such Deposit. If Tenant fully and faithfully performs every provision of this Lease to be performed by it, the Security Deposit or any balance thereof shall be returned to Tenant (or at Landlord's option, to the last assignee of Tenant's interest hereunder) at the expiration of the Lease term and after Tenant has vacated the Premises. In the event of termination of Landlord's interest in this Lease, Landlord shall transfer said Deposit to Landlord's successor in interest whereupon Tenant agrees to release Landlord from liability for the return of such Deposit or the accounting therefor.

(Paragraph 4F is continued below)

5. RULES AND REGULATIONS AND COMMON AREA. Subject to the terms and conditions of this Lease and such Rules and Regulations as Landlord may from

time to time prescribe, Tenant and Tenant's employees, invitees and customers shall, in common with other occupants of the Complex in which the Premises are located, and their respective employees, invitees and customers, and others entitled to the use thereof, have the non-exclusive right to use the access roads, parking areas, and facilities provided and designated by Landlord for the general use and convenience of the occupants of the Complex in which the Premises are located, which areas and facilities are referred to herein as "Common Area." This right shall terminate upon the termination of this Lease. Landlord reserves the right from time to time to make reasonable changes in the shape, size, location, amount and extent of Common Area. All such changes shall not unreasonably affect Tenant's access or use of the Premises and shall not diminish Tenant's parking rights. Landlord further reserves the right to promulgate such reasonable rules and regulations relating to the use of the Common Area, and any part of parts thereof, as Landlord may deem appropriate for the best interests of the occupants of the Complex. The Rules and Regulations shall be binding upon Tenant upon delivery of a copy of them to Tenant, and Tenant shall abide by them and cooperate in their observance. Such Rules and Regulations may be reasonably amended by Landlord from time to time, with or without advance notice, and all amendments shall be effective upon delivery of a copy to Tenant. Landlord shall not be responsible to Tenant for the non-performance by any other tenant or occupant of the Complex of any of said Rules and Regulations.

Landlord shall operate, manage and maintain the Common Area. The Common Area shall be maintained in a first class manner and the expenditures for such maintenance shall be at the discretion of Landlord.

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6. PARKING. Landlord hereby acknowledges that Tenant shall have the right to restripe parking lots at Tenant's own expense (provided Tenant is the only occupant of a Complex to be restriped). Any restriping shall be in compliance with all applicable codes and regulations and Landlord shall cooperate with Tenant in this effort. Tenant shall have the right to use with other tenants or occupants of the Complex its proportionate share of parking spaces in the common parking areas of the Complex. Tenant agrees that Tenant, Tenant's employees, agents, representatives and/or invitees shall not use parking spaces outside of the Complex parking spaces allocated to Tenant hereunder. Landlord shall have the right, at Landlord's sole discretion, to specifically designate the location of Tenant's parking spaces within the common parking areas of the Complex in the event of a dispute among the tenants occupying the building and/or Complex referred to herein, in which event Tenant agrees that Tenant, Tenant's employees, agents, representatives and/or invitees shall not use any parking spaces other than those parking spaces specifically designated by Landlord for Tenant's use. Said parking spaces, if specifically designated by Landlord to Tenant, may be relocated by Landlord at any time, and from time to time. Landlord reserves the right, at Landlord's sole discretion, to rescind any specific designation of parking spaces, thereby returning Tenant's parking spaces to the common parking area. Landlord shall give Tenant written notice of any change in Tenant's parking spaces. Tenant shall not, at any time, park, or permit to be parked, any trucks or vehicles adjacent to the loading areas so as to interfere in any way with the use of such areas, nor shall Tenant at any time park, or permit the parking of Tenant's trucks or other vehicles or the trucks and vehicles of Tenant's suppliers or others, in any portion of the common area not designated by Landlord for such use by Tenant. Tenant shall not park nor permit to be parked, any inoperative vehicles or equipment on any portion of the common parking area or other common areas of the Complex. Tenant agrees to assume responsibility for compliance by its employees with the parking provision contained herein. If Tenant or its employees park in other than such designated parking areas, then Landlord may charge Tenant, as an additional charge, and Tenant agrees to pay, ten (\$10.00) Dollars per day for each day or partial day each such vehicle is parked in any area other than that designated. Tenant hereby authorizes Landlord at Tenant's sole expense to tow away from the Complex any vehicle belonging to Tenant or Tenant's employees parked in violation of these provisions, or to attach violation stickers or notices to such vehicles. Tenant shall use the parking areas for vehicle parking only, and shall not use the parking areas for storage.

7. EXPENSES OF OPERATION, MANAGEMENT AND MAINTENANCE OF THE COMMON AREAS OF THE COMPLEX, PREMISES AND BUILDING IN WHICH THE PREMISES ARE LOCATED. As Additional Rent and in accordance with Paragraph 4D of this Lease, Tenant shall pay to Landlord Tenant's proportionate share (calculated on a square footage or other equitable basis as calculated by Landlord) of all expenses of operation, management, maintenance and repair of the Common Areas of the Complex including, but not limited to, license, permit and inspection fees; security; utility charges associated with exterior landscaping and lighting (including water and sewer charges); all charges incurred in the maintenance of landscaped areas, lakes, parking lots, sidewalks, driveways; maintenance, repair and replacement of all fixtures and electrical, mechanical and plumbing systems; structural elements and exterior surfaces of the buildings; salaries and employee benefits of personnel and payroll taxes applicable thereto; supplies, materials, equipment and tools; the cost of capital expenditures which have the effect of reducing operating expenses, provided, however, that in the event Landlord makes such capital improvements, Landlord may amortize its investment in said improvements (together with interest at the rate of fifteen (15%)

percent per annum on the unamortized balance) as an operating expense in accordance with standard accounting practices, provided, that such amortization is not at a rate greater than the anticipated savings in the operating expenses.

As Additional Rent and in accordance with paragraph 4D of this Lease, Tenant shall pay its proportionate share (calculated on a square footage or other equitable basis as calculated by Landlord) of the cost of operation (including common utilities), management, maintenance and repair of the Premises and the building (including common areas such as lobbies, restrooms, janitor's closets, hallways, elevators, mechanical and telephone rooms, stairwells, entrances, spaces above the ceilings) in which the Premises are located. The maintenance items herein referred to include, but are not limited to, electrical systems (such as outlets, lighting fixtures, lamps, bulbs, tubes, ballasts), heating and airconditioning controls (such as mixing boxes, thermostats, time clocks, supply and return grills), all interior improvements within the Premises including but not limited to: wall coverings, window coverings, acoustical ceilings, vinyl tile, carpeting, partitioning, doors (both interior and exterior, including closing mechanisms, latches, locks), and all other interior improvements of any nature whatsoever, all windows, window frames, plate glass, glazing, truck doors, main plumbing systems of the building (such as water and drain lines, sinks, toilets, faucets, drains, showers and water fountains), main electrical systems (such as panels and conduits), heating and airconditioning systems (such as compressors, fans, air handlers, ducts, boilers, heaters), store fronts, roofs, downspouts, building common area interiors (such as wall coverings, window coverings, floor coverings and partitioning), ceilings, building exterior doors, skylights (if any), automatic fire extinguishing systems and elevators; license, permit, and inspection fees; security; salaries and employee benefits of personnel and payroll taxes applicable thereto; supplies, materials, equipment and tools; the cost of capital expenditures which have the effect of reducing operating expenses, provided, however, that in the event Landlord makes such capital improvements, Landlord may amortize its investment in said improvements (together with interest at the rate of fifteen (15%) percent per annum on the unamortized balance) as an operating expense in accordance with standard accounting practices, provided, that such amortization is not at a rate greater than the anticipated savings in the operating expenses. Tenant hereby waives all rights under, and benefits of, subsection 1 of Section 1932 and Sections 1941 and 1942 of the California Civil Code and under any similar law, statute or ordinance now or hereafter in effect. Tenant agrees to provide carpet shields under all rolling chairs or to otherwise be responsible for wear and tear of the carpet caused by such rolling chairs if such wear and tear exceeds that caused by normal foot traffic in surrounding areas. Areas of excessive wear shall be replaced at Tenant's sole expense upon Lease termination.

"Additional Rent" as used herein shall not include Landlord's debt repayments; interest on charges; expenses directly or indirectly incurred by Landlord for the benefit of any other tenant; cost for the installation of partitioning or any other tenant improvements; cost of attracting tenants; depreciation; interest, or executive salaries.

Tenant agrees to contract and pay directly for five-day janitorial service for the leased Premises and Landlord agrees to maintain the Complex in a first-class manner.

8. ACCEPTANCE AND SURRENDER OF PREMISES By entry hereunder, Tenant accepts the Premises as being in good and sanitary order, condition and repair and accepts the building and improvements included in the Premises in their present condition and without representation or warranty by Landlord as to the condition of such building or as to the use or occupancy which may be made thereof except as otherwise provided herein. Any exceptions to the foregoing must be by written agreement executed by Landlord and Tenant. Tenant agrees on the last day of the Lease term, or on the sooner termination of this Lease, to surrender the Premises promptly and peaceably to Landlord in good condition and repair (damage by Acts of God, fire or normal wear and tear excepted), with all interior walls painted, or cleaned so that they appear freshly painted, and repaired and replaced, if damaged; all floors cleaned and waxed; all carpets cleaned and shampooed; the airconditioning and heating equipment serviced by a reputable and licensed service firm and in good operating condition (provided the maintenance of such equipment has been Tenant's responsibility during the term of this Lease) together with all alterations, additions and improvements which may have been made in, to, or on the Premises (except movable trade fixtures installed at the expense of Tenant) except that subject to paragraph 9 of this Lease Landlord shall notify Tenant at the same time as Landlord provides its consent to such alterations, conditions or improvements which exceed \$15,000 in construction costs whether Landlord desires to have the Premises or any part or parts thereof restored to their condition and configuration as when the Premises existed prior to such alteration, addition, or improvement and if Landlord shall so desire, then Tenant shall restore said Premises or such part or parts thereof before the end of this Lease at Tenant's sole cost and expense. Tenant, on or before the end of the term or sooner termination of this Lease, shall remove all of Tenant's personal property and trade fixtures from the Premises, and all property not so removed on or before the end of the term or sooner termination of this Lease shall be deemed abandoned by Tenant and title to same shall thereupon pass to Landlord without compensation to Tenant, Landlord may, upon termination of this Lease, remove all moveable furniture and equipment so

abandoned by Tenant, at Tenant's sole cost, and repair any damage caused by such removal at Tenant's sole cost. If the Premises be not surrendered at the end of the term or sooner termination of this Lease, Tenant shall indemnify Landlord against loss or liability resulting from the delay by Tenant in so surrendering the Premises including, without limitation, any claims made by any succeeding tenant founded on such delay. Nothing contained herein shall be construed as an extension of the term hereof or as a consent of Landlord to any holding over by Tenant. The voluntary or other surrender of this Lease or the Premises by Tenant or a mutual cancellation of this Lease shall not work as a merger and, at the option of Landlord, shall either terminate all or any existing subleases or subtenancies or operate as an assignment to Landlord of all or any such subleases or subtenancies.

(See paragraph 50 below)

9. ALTERATIONS AND ADDITIONS Tenant shall not make, or suffer to be made, any alteration or addition to the Premises, or any part thereof, without the written consent of Landlord first had and obtained by Tenant, but at the cost of Tenant, and any addition to, or alteration of, the Premises, except moveable furniture and trade fixtures, shall at once become a part of the Premises and belong to Landlord. If Landlord consents to the making of any alteration, addition, or improvement to or of the Premises by Tenant, the same shall be made at Tenant's sole cost and expense. Any modifications to the building or building systems required by governmental code or otherwise as a result of Tenant's alterations, additions or improvements shall be made at Tenant's sole cost and expense. Tenant shall retain title to all moveable furniture and trade fixtures placed in the Premises. All heating, lighting, electrical, airconditioning, partitioning, drapery, carpeting and floor installations made by Tenant, together with all property that has become an integral part by the Premises, shall not be deemed trade fixtures. Tenant agrees that it will not proceed to make any alterations or additions, without having obtained consent from Landlord to do so, and until five (5) days from the receipt of such consent, in order that Landlord may post appropriate notices to avoid any liability to contractors or material suppliers for payment for Tenant's improvements. Tenant will at all times permit such notices to be posted and to remain posted until the completion of work. Tenant shall, if required by Landlord, secure at Tenant's own cost and expense, a completion and lien indemnity bond reasonably satisfactory to Landlord, for such work in excess of \$100,000. Tenant further covenants and agrees that any mechanic's lien filed against the Premises or against the Complex for work claimed to have been done for, or materials claimed to have been furnished to Tenant, will be discharged by Tenant, by bond or otherwise, within ten (10) days after the filing thereof, at the cost and expense of Tenant. Any exceptions to the foregoing must be made in writing and executed by both Landlord and Tenant.

(Paragraph 9 is continued on page 12 below)

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(Paragraph 11 is continued on page 13 below)

12. TAXES. A. As Additional Rent and in accordance with Paragraph 4D of this Lease, Tenant shall pay to Landlord Tenant's proportionate share of all Real Property Taxes, which prorata share shall be allocated to the leased Premises by square footage or other equitable basis, as calculated by Landlord. The term "Real Property Taxes", as used herein, shall mean (i) all taxes, assessments, levies and other charges of any kind or nature whatsoever, general and special, foreseen and unforeseen (including all installments of principal and interest required to pay any general or special assessments for public improvements and any increases resulting from reassessments caused by any change in ownership of the Complex) now or hereafter imposed by any governmental or quasi-governmental authority or special district having the direct or indirect power to tax or levy assessments, which are levied or assessed against, or with respect to the value, occupancy or use of, all or any portion of the Complex (as now constructed or as may at any time hereafter be constructed, altered, or otherwise changed) or Landlord's interest therein; any improvements located within the Complex (regardless of ownership); the fixtures, equipment and other property of Landlord, real or personal, that are an integral part of and located in the Complex; or parking areas, public utilities, or energy within the Complex; (ii) all charges, levies or fees imposed by reason of environmental regulation or other governmental control of the Complex; and (iii) all costs and fees (including attorneys' fees) incurred by Landlord in contesting any Real Property Tax and negotiating with public authorities as to any Real Property Tax. In the event said contesting results in a refund of Real Property Taxes, Tenant shall be credited with the appropriate proportionate share of said refund reflecting Tenant's period of occupancy. If at any time during the term of this Lease the taxation or assessment of the Complex prevailing as of the commencement date of this Lease shall be altered so that in lieu of or in addition to any Real Property Tax described above there shall be levied, assessed or imposed (whether by reason of a change in the method of taxation or assessment, creation of a new tax or charge, or any other cause) an alternate or additional tax or charge (i) on the value, use or

occupancy of the Complex or Landlord's interest therein or (ii) on or measured by the gross receipts, income or rentals from the Complex, on Landlord's business of leasing the Complex, or computed in any manner with respect to the operation of the Complex, then any such tax or charge, however designated, shall be included within the meaning of the term "Real Property Taxes" for purposes of this Lease. If any Real Property Tax is based upon property or rents unrelated to the Complex, then only that part of such Real Property Tax that is fairly allocable to the Complex shall be included within the meaning of the term "Real Property Taxes". Notwithstanding the foregoing, the term "Real Property Taxes" shall not include estate, inheritance, gift or franchise taxes of Landlord or the federal or state net income tax imposed on Landlord's income from all sources.

B. Taxes on Tenant's Property

(1) Tenant shall be liable for and shall pay ten days before delinquency, taxes levied against any personal property or trade fixtures placed by Tenant in or about the Premises. If any such taxes on Tenant's personal property or trade fixtures are levied against Landlord or Landlord's property or if the assessed value of the Premises is increased by the inclusion therein of a value placed upon such personal property or trade fixtures of Tenant and if Landlord, after written notice to Tenant, pays the taxes based on such increased assessment, which Landlord shall have the right to do regardless of the validity thereof, but only under proper protest if requested by Tenant, Tenant shall upon demand, as the case may be, repay to Landlord the taxes so levied against Landlord, or the proportion of such taxes resulting from such increase in the assessment; provided that in any such event Tenant shall have the right, in the name of Landlord and with Landlord's full cooperation, to bring suit in any court of competent jurisdiction to recover the amount of any such taxes so paid under protest, and any amount so recovered shall belong to Tenant.

(2) If the Tenant improvements in the Premises, whether installed, and/or paid for by Landlord or Tenant and whether or not affixed to the real property so as to become a part thereof, are assessed for Real Property Tax purposes at a valuation higher than the valuation at which standard office improvements in other space in the Complex are assessed, then the Real Property Taxes and assessments levied against Landlord or the Complex by reason of such excess assessed valuation shall be deemed to be taxes levied against personal property of Tenant and shall be governed by the provisions of 12A(i), above. If the records of the County Assessor are available and sufficiently detailed to serve as a basis for determining whether said Tenant improvements are assessed at a higher valuation than standard office improvements in other spaces in the Complex, such records shall be binding on both the Landlord and the Tenant. If the records of the County Assessor are not available or sufficiently detailed to serve as a basis for making said determination, the actual cost of construction shall be used.

13. LIABILITY INSURANCE. Tenant, at Tenant's expense, agrees to keep in force during the term of this Lease a policy of comprehensive public liability insurance with limits in the amount of \$1,000,000/1,000,000 for injuries to or death of persons occurring in, on or about the Premises or the Complex, and property damage insurance with limits of \$500,000. The policy or policies affecting such insurance, certificates of which shall be furnished to Landlord, shall name Landlord as additional insureds, and shall insure any liability of Landlord, contingent or otherwise, as respects acts or omissions of Tenant, its agents, employees or invitees or otherwise by any conduct or transactions of any of said persons in or about or concerning the Premises, including any failure of Tenant to observe or perform any of its obligations hereunder; shall be issued by an insurance company admitted to transact business in the State of California; and shall provide that the insurance effected thereby shall not be canceled, except upon thirty (30) days' prior written notice to Landlord. If, during the term of this Lease, in the reasonable opinion of Landlord's Lender, insurance advisor or counsel, the amount of insurance described in this paragraph 13 is not adequate, Tenant agrees to increase said coverage to such reasonable amount as Landlord's Lender, insurance advisor or counsel shall deem adequate. Landlord shall carry a reasonable amount of liability insurance.

14. TENANT'S PERSONAL PROPERTY INSURANCE AND WORKER'S COMPENSATION INSURANCE. Tenant shall maintain a policy or policies of fire and property damage insurance in "all risk" form with a sprinkler leakage endorsement insuring the personal property, inventory, trade fixtures and leasehold improvements within the leased Premises for the full replacement value thereof. The proceeds from any of such policies shall be used for the repair or replacement of such items so insured.

Tenant shall also maintain a policy or policies of worker's compensation insurance and any other employee benefit insurance sufficient to comply with all laws.

15. PROPERTY INSURANCE. Landlord shall purchase and keep in force and, as Additional Rent and in accordance with Paragraph 4D of this Lease, Tenant shall pay to Landlord Tenant's proportionate share (calculated on a square footage or other equitable basis as calculated by Landlord) of the cost of policy or policies of insurance covering loss or damage to the Premises and Complex in the amount of the full replacement value thereof, providing protection against

those perils included within the classification of "all risks" insurance and flood and/or earthquake insurance, if available, plus a liability policy and a policy of rental income insurance in the amount of one hundred (100%) percent of twelve (12) months Basic Rent, plus sums paid as Additional Rent. If such insurance cost is increased due to Tenant's use of the Premises or the Complex, Tenant agrees to pay to Landlord the full cost of such increase. Tenant shall have no interest in nor any right to the proceeds of any insurance procured by Landlord for the Complex.

Landlord and Tenant do each hereby respectively release the other, to the extent of insurance coverage of the releasing party, from any liability for loss or damage caused by fire or any of the extended coverage casualties included in the releasing party's insurance policies, irrespective of the cause of such fire or casualty; provided, however, that if the insurance policy of either releasing party prohibits such waiver, then this waiver shall not take effect until consent to such waiver is obtained. If such waiver is so prohibited, the insured party affected shall promptly notify the other party thereof.

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16. INDEMNIFICATION Landlord shall not be liable to Tenant and Tenant hereby waives all claims against Landlord for any injury to or death of any person or damage to or destruction of property in or about the Premises or the Complex by or from any cause whatsoever, including, without limitation, gas, fire, oil, electricity or leakage of any character from the roof, walls, basement or other portion of the Premises or the Complex but excluding, however, the negligence or willful misconduct of Landlord, its agents, servants, employees, invitees, or contractors of which negligence Landlord has knowledge and reasonable time to correct. The requirement of knowledge and reasonable time to correct, shall not apply to direct negligent acts by Landlord or Landlord's agents, servants, employees, invitees or contractors. Except as to injury to persons or damage to property the principal cause of which is the negligence or willful misconduct of Landlord, its agents, servants, employees, invitees or contractors Tenant shall hold Landlord harmless from and defend Landlord against any and all expenses, including reasonable attorneys' fees, in connection therewith, arising out of any injury to or death of any person or damage to or destruction of property occurring in, on or about the Premises, or any part thereof, from any cause whatsoever.

17. COMPLIANCE Tenant at its sole cost and expense, shall promptly comply with all laws, statutes, ordinances and governmental rules, regulations or requirements now or hereafter in effect; with the requirements of any board of fire underwriters or other similar body now or hereafter constituted; and with any direction or occupancy certificate issued pursuant to law by any public officer; provided, however, that no such failure shall be deemed a breach of the provisions if Tenant, immediately upon notification, commences to remedy or rectify said failure. The judgment of any court of competent jurisdiction or the admission of Tenant in any action against Tenant, whether Landlord be a party thereto or not, that Tenant has violated any such law, statute, ordinance or governmental rule, regulation, requirement, direction or provision, shall be conclusive of that fact as between Landlord and Tenant. This paragraph shall not be interpreted as requiring Tenant to make structural changes or improvements, except to the extent such changes or improvements are required as a result of Tenant's use of the Premises. Tenant shall, at its sole cost and expense, comply with any and all requirements pertaining to said Premises, of any insurance organization or company, necessary for the maintenance of reasonable fire and public liability insurance covering the Premises.

(SEE PARAGRAPH 48)

18. LIENS Tenant shall keep the Premises and the Complex free from any liens arising out of any work performed, materials furnished or obligation incurred by Tenant. In the event that Tenant shall not, within ten (10) days following the imposition of such lien, cause the same to be released of record, Landlord shall have, in addition to all other remedies provided herein and by law, the right, but no obligation, to cause the same to be released by such means as it shall deem proper including payment of the claim giving rise to such lien. All sums paid by Landlord for such purpose, and all expenses incurred by it in connection therewith, shall be payable to Landlord by Tenant on demand with interest at the prime rate of interest as quoted by the Bank of America.

19. ASSIGNMENT AND SUBLETTING. Tenant shall not assign, transfer or hypothecate the leasehold estate under this Lease, or any interest therein, and shall not sublet the Premises, or any part thereof, or any right or privilege appurtenant thereto, or suffer any other person or entity to occupy or use the Premises or any portion thereof, without, in each case, the prior written consent of Landlord which consent will not be unreasonably withheld. Tenant agrees to pay to Landlord, as additional rent, fees of all rents (after Tenant deducts all costs of subleasing) or additional consideration received by Tenant from its assignees, transferees or subtenants in excess of the rent payable by Tenant to Landlord hereunder. Tenant shall by thirty days (30) written notice, advise Landlord of its intent to assign or transfer Tenant's interest in the

Lease or sublet the Premises or any portion thereof for any part of the term hereof. In the event Tenant is allowed to assign, transfer or sublet the whole or any part of the Premises, with the prior written consent of Landlord, no assignee, transferee or subtenant shall assign or transfer this Lease, either in whole or in part, or sublet the whole or any part of the Premises, without also having obtained the prior written consent of Landlord. A consent of Landlord to one assignment, transfer, hypothecation, subletting, occupation or use by any other person shall not release Tenant from any of Tenant's obligations hereunder or be deemed to be a consent to any subsequent similar or dissimilar assignment, transfer, hypothecation, subletting, occupation or use by any other person. Any such assignment, transfer, hypothecation, subletting, occupation or use without such consent shall be void and shall constitute a breach of this Lease by Tenant and shall, at the option of Landlord exercised by written notice to Tenant, terminate this Lease. The leasehold estate under this Lease shall not, nor shall any interest therein, be assignable for any purpose by operation of law without the written consent of Landlord. As a condition to its consent, Landlord may require Tenant to pay all reasonable expenses in connection with the assignment, and Landlord may require Tenant's assignee or transferee (or other assignees or transferees) to assume in writing, all of the obligations under this Lease and for Tenant to remain liable to Landlord under the Lease.

(Paragraph 19 is continued below)

20. SUBORDINATION AND MORTGAGES In the event Landlord's title or leasehold interest is now or hereafter encumbered by a deed of trust, upon the interest of Landlord in the land and buildings in which the demised Premises are located, to secure a loan from a lender (hereinafter referred to as "Lender") to Landlord, Tenant shall, at the request of Landlord or Lender, execute in writing an agreement subordinating its rights under this Lease to the lien of such deed of trust, or, if so requested, agreeing that the lien of Lender's deed of trust shall be or remain subject and subordinate to the rights of Tenant under this Lease. Tenant hereby irrevocably appoints Landlord the attorney in fact of Tenant to execute, deliver and record any such instrument or instruments for and in the name and on behalf of Tenant. Notwithstanding any such subordination, Tenant's possession under this Lease shall not be disturbed if Tenant is not in default and so long as Tenant shall pay all rent and observe and perform all of the provisions set forth in this Lease and any such subordination agreement shall so reflect. Tenant agrees to send to any mortgages and/or deed of trust holders, by registered mail, a copy of any notice of default served by Tenant upon the Landlord, provided that prior to such notice, Tenant has been notified, in writing (by way of notice of assignment of rents or otherwise) of the addresses of such mortgagees and/or deed of trust holders. Tenant further agrees that if Landlord shall have failed to cure such default within the time provided for in this Lease, any such mortgagees and/or deed of trust holders shall have an additional thirty (30) days within which to cure such default, or if such default is not reasonably susceptible of cure within that time, then such additional time as may be reasonably necessary if within such (30) days, any mortgagee and/or deed of trust holder has commenced and is diligently pursuing the remedies necessary to cure such default, (including but not limited to commencement of foreclosure proceedings), in which event this Lease shall not be terminated when such remedies are being diligently pursued. (SEE PARAGRAPH 52 BELOW)

21. ENTRY BY LANDLORD Landlord reserves, and shall during normal business hours, have, the right to enter the Premises to inspect them; to perform any services to be provided by Landlord hereunder; to submit the Premises to prospective purchasers, mortgagors or tenants; to post notices of nonresponsibility; and to alter, improve or repair the Premises and any portion of the Complex, all without abatement of rent; and may erect scaffolding and other necessary structures in or through the Premises where reasonably required by the character of the work to be performed; provided, however, that the business of Tenant shall be interfered with to the least extent that is reasonably practical. For each of the foregoing purposes, Landlord shall at all times have and retain a key with which to unlock all of the doors in an emergency in order to obtain entry to the Premises, and any entry to the Premises obtained by Landlord by any of said means, or otherwise, shall not under any circumstances be construed or deemed to be a forcible or unlawful entry into or a detainer of the Premises or an eviction, actual or constructive, of Tenant from the Premises or any portion thereof. Landlord shall also have the right at any time to change the arrangement or location of entrances or passageways, doors and doorways, and corridors, elevators, stairs, toilets or other public parts of the Complex and to change the name, number or designation by which the Complex is commonly known, and none of the foregoing shall be deemed an actual or constructive eviction of Tenant, or shall entitle Tenant to any reduction of rent hereunder.

22. BANKRUPTCY AND DEFAULT The commencement of a bankruptcy action or liquidation action or reorganization action or insolvency action or an assignment of or by Tenant for the benefit of creditors, or any similar action undertaken by Tenant, or the insolvency of Tenant, shall, at Landlord's option, constitute a breach of this Lease by Tenant. If the trustee or receiver appointed to serve during a bankruptcy, liquidation, reorganization, insolvency or similar action elects to reject Tenant's unexpired Lease, the trustee or receiver shall notify Landlord in writing of its election within thirty (30) days after an order for relief in a liquidation action or within thirty (30)

days after the commencement of any action.

Within thirty (30) days after court approval of the assumption of this Lease, the trustee or receiver shall cure (or provide adequate assurance to the reasonable satisfaction of Landlord that the trustee or receiver shall cure) any and all previous defaults under the unexpired Lease and shall compensate Landlord for all actual pecuniary loss and shall provide adequate assurance of future performance under said Lease to the reasonable satisfaction of Landlord. Adequate assurance of future performance as used herein, includes, but shall not be limited to: (i) assurance of source and payment of rent, and other consideration due under this Lease; (ii) assurance that the assumption or assignment of this Lease will not breach substantially any provision, such as radius, location, use, or exclusively provision, in any agreement relating to the above described Premises.

Nothing contained in this section shall affect the existing right of Landlord to refuse to accept an assignment upon commencement of or in connection with a bankruptcy, liquidation, reorganization or insolvency action or an assignment of Tenant for the benefit of creditors or other similar act. Nothing contained in this Lease shall be construed as giving or granting or creating an equity in the demised Premises to Tenant. In no event shall the leasehold estate under this Lease, or any interest therein, be assigned by voluntary or involuntary bankruptcy proceeding without the prior written consent of Landlord. In no event shall this Lease or any rights or privileges hereunder be an asset of Tenant under any bankruptcy, insolvency or reorganization proceedings.

The failure to perform or honor any covenant, condition or representation made under this Lease shall constitute a default hereunder by Tenant upon expiration of the appropriate grace period hereinafter provided. Tenant shall have a period of five (5) days from the date of written notice from Landlord within which to cure any default in the payment of rental or adjustment thereto. Tenant shall have a period of twenty (20) days from the date of written notice from Landlord within which to commence to cure any other default under this Lease and Tenant shall diligently prosecute the cure to completion. Upon an uncured default of this Lease by Tenant, Landlord shall have the following rights and remedies in addition to any other rights or remedies available to Landlord at law or in equity:

(a) The rights and remedies provided for by California Civil Code Section 1951.2, including but not limited to, recovery of the worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of rental loss for the same period that Tenant proves could be reasonably avoided, as computed pursuant to subsection (b) of said Section 1951.2. Any proof by Tenant under subparagraph (2) and (3) of Section 1951.2 of the California Civil Code of the amount of rental loss that could be reasonably avoided shall be made in the following manner: Landlord and Tenant shall each select a licensed real estate broker in the business of renting property of the same type and use as the Premises and in the same geographic vicinity. Such two real estate brokers shall select a third licensed real estate broker, and the three licensed real estate brokers so selected shall determine the amount of the rental loss that could be reasonably avoided from the balance of the term of this Lease after the time of award. The decision of the majority of said licensed real estate brokers shall be final and binding upon the parties hereto.

(b) The rights and remedies provided by California Civil Code which allows Landlord to continue the Lease in effect and to enforce all of its rights and remedies under this Lease, including the right to recover rent as it becomes due, for so long as Landlord does not terminate Tenant's right to possession; acts of maintenance or preservation, efforts to relet the Premises, or the appointment of a receiver upon Landlord's initiative to protect its interest under this Lease shall not constitute a termination of Tenant's right to possession.

(c) The right to terminate this Lease by giving notice to Tenant in accordance with applicable law.

(d) The right and power, as attorney-in-fact for Tenant, to enter the Premises and remove therefrom all persons and property, to store such property in a public warehouse or elsewhere at the cost of and for the account of Tenant and to sell such property and apply such proceeds therefrom pursuant to applicable California law. Landlord, as attorney-in-fact for Tenant, may from time to time sublet the Premises or any part thereof for such term or terms (which may extend beyond the term of this Lease) and at such rent and such other terms as Landlord in its sole discretion may deem advisable, with the right to make alterations and repairs to the Premises. Upon each subletting, (i) Tenant shall be immediately liable to pay Landlord, in addition to indebtedness other than rent due hereunder, the cost of such subletting, including, but not limited to, reasonable attorneys' fees, and any real estate commissions actually paid, and the cost of such alterations and repairs incurred by Landlord and the amount, if any, by which the rent hereunder for the period of such subletting (to the extent such period does not exceed the

term hereof) exceeds the amount to be paid as rent for the Premises for such period or (ii) at the option of Landlord, rents received from such subletting shall be applied first to payment of indebtedness other than rent due hereunder from Tenant to Landlord; second, to the payment of any costs of such subletting and of such alterations and repairs; third to payment of rent due to unpaid hereunder; and the residue, if any, shall be held by Landlord and applied in payment of future rent as the same becomes due hereunder. If Tenant has been credited with any rent to be received by such subletting under option (i) and such rent shall not be promptly paid to Landlord by the subtenant(s), or if such rentals received from such subletting under option (ii) during any month be less than that to be paid during that month by Tenant hereunder, Tenant shall pay any such deficiency to Landlord. Such deficiency shall be calculated and paid monthly. For all purposes set forth in this subparagraph (d), Landlord is hereby irrevocably appointed attorney-in-fact for Tenant, with power of substitution. No taking possession of the Premises by Landlord, as attorney-in-fact for Tenant, shall be construed as an election on its part to terminate this Lease unless a written notice of such intention be given to Tenant. Notwithstanding any such subletting without termination, Landlord may at any time hereafter elect to terminate this Lease for such previous breach.

(e) The right to have a receiver appointed for Tenant upon application by Landlord, to take possession of the Premises and to apply any rental collected from the Premises and to exercise all other rights and remedies granted to Landlord as attorney-in-fact for Tenant pursuant to subparagraph (d) above.

23. ABANDONMENT Tenant shall not vacate or abandon the Premises at any time during the term of this Lease; and if Tenant shall abandon, vacate or surrender said Premises, or be dispossessed by the process of law, or otherwise, any personal property belonging to Tenant and left on the Premises shall be deemed to be abandoned, at the option of Landlord, except such property as may be mortgaged to Landlord.

24. DESTRUCTION

(Paragraph 24 is continued below)

25 EMINENT DOMAIN If all or any part of the Premises shall be taken by any public or quasi-public authority under the power of eminent domain or conveyance in lieu thereof, this Lease shall terminate as to any portion of the Premises so taken or conveyed on the date when title vests in the condemnor, and Landlord shall be entitled to any and all payment, income, rent, award or any interest therein whatsoever which may be paid or made in connection with such taking or conveyance, and Tenant shall have no claim against Landlord or otherwise for the value of any unexpired term of this Lease. Notwithstanding the foregoing paragraph, any compensation specifically awarded Tenant for loss of business, Tenant's personal property, moving cost or loss of goodwill, shall be and remain the property of Tenant.

If (i) any action or proceeding is commenced for such taking of the Premises or any part thereof, or if Landlord is advised in writing by any entity or body having the right or power of condemnation of its intention to condemn the Premises or any portion thereof, or (ii) any of the foregoing events occur with respect to the taking of any space in the Complex not leased hereby, or if any such spaces so taken or conveyed in lieu of such taking and Landlord shall decide to discontinue the use and operation of the Complex, or decide to demolish, alter or rebuild the Complex, then, in any of such events Landlord shall have the right to terminate this Lease by giving Tenant written notice thereof within sixty (60) days of the date of receipt of said written advice, or commencement of said action or proceeding, or taking conveyance, which termination shall take place as of the first to occur of the last day of the calendar month next following the month in which such notice is given or the date on which title to the Premises shall vest in the condemnor.

In the event of such a partial taking or conveyance of the Premises, if the portion of the Premises taken or conveyed is so substantial that the Tenant can no longer reasonably conduct its business, Tenant shall have the privilege of terminating this Lease within sixty (60) days from the date of such taking or conveyance, upon written notice to Landlord of its intention so to do, and upon giving of such notice this Lease shall terminate on the last day of the calendar month next following the month in which such notice is given, upon payment by Tenant of the rent from the date of such taking or conveyance to the date of termination.

If a portion of the Premises be taken by condemnation or conveyance in lieu thereof and neither Landlord nor Tenant shall terminate this Lease as provided herein, this Lease shall continue in full force and effect as to the part of the Premises not so taken or conveyed, and the rent herein shall be apportioned as of the date of such taking or conveyance so that thereafter the rent to be paid by Tenant shall be in the ratio that the area of the portion of the Premises not so taken or conveyed bears to the total area of the Premises prior to such taking.

26. SALE OF CONVEYANCE BY LANDLORD In the event of a sale or conveyance of the Complex or any interest therein, by any owner of the reversion then

constituting Landlord, the transferor shall thereby be released from any liability thereafter arising upon any of the terms, covenants or conditions (express or implied) herein contained in favor of Tenant, and in such event, insofar as such transfer is concerned, Tenant agrees to look solely to the responsibility of the successor in interest of such transferor in and to the Complex and this Lease. This Lease shall not be affected by any such sale or conveyance, and Tenant agrees to attorn to the successor in interest of such transferor.

27. ATTORNTMENT TO LENDER OR THIRD PARTY In the event the interest of Landlord in the land and buildings in which the leased Premises are located (whether such interest of Landlord is a fee title interest or a leasehold interest) is encumbered by deed of trust, and such interest is acquired by the lender or any third party through judicial foreclosure or by exercise of a power of sale at private trustee's foreclosure sale, Tenant hereby agrees to attorn to the purchaser at any such foreclosure sale and to recognize such purchaser as the Landlord under this Lease. In the event the liens of the deed of trust securing the loan from a Lender to Landlord is prior and paramount to the lease, this Lease shall nonetheless continue in full force and effect for the remainder of the unexpired term hereof, at the same rental herein reserved and upon all the other terms, conditions and covenants herein contained.

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28. HOLDING OVER Any holding over by Tenant after expiration or other termination of the term of this Lease with the written consent of Landlord delivered to Tenant shall not constitute a renewal or extension of the Lease or give Tenant any rights in or to the leased Premises except as expressly provided in this Lease. Any holding over after the expiration or other termination of the term of this lease, with the consent of Landlord, shall be construed to be a tenancy from month to month, on the same terms and conditions herein specified insofar as applicable except that the monthly Basic Rent shall be increased to an amount equal to one hundred twenty (120%) percent of the monthly Basic Rent required during the last month of the Lease term.

(Paragraph 28 is continued below)

29. CERTIFICATE OF ESTOPPEL Tenant shall at any time upon not less than ten (10) days' prior written notice from Landlord execute, acknowledge and deliver to Landlord a statement in writing (i) certifying that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this Lease, as so modified, is in full force and effect) and the date to which the rent and other charges are paid in advance, if any, and (ii) acknowledging that there are not, to Tenant's knowledge, any uncured defaults on the part of Landlord hereunder, or specifying such defaults, if any, are claimed. Any such statement may be conclusively relied upon by any prospective purchaser or encumbrancer of the Premises. Tenant's failure to deliver such statement within such time shall be conclusive upon Tenant that this Lease is in full force and effect, without modification except as may be represented by Landlord; that there are no uncured defaults in Landlord's performance, and that not more than one month's rent has been paid in advance. If requested by Tenant, Landlord shall issue Tenant a certificate of Estoppel stating whether or not Tenant is in compliance with the Lease and current on rental payments.

30. CONSTRUCTION CHANGES Landlord does not guarantee the accuracy of any drawings supplied to Tenant and verification of the accuracy of such drawings rests with Tenant.

31. RIGHT OF LANDLORD TO PERFORM All terms, covenants and conditions of this Lease to be performed or observed by Tenant shall be performed or observed by Tenant at Tenant's sole cost and expense and without any reduction of rent. If Tenant shall fail to pay any sum of money, or other rent, required to be paid by it hereunder or shall fail to perform any other term or covenant hereunder on its part to be performed, and such failure shall continue for five (5) days after written notice thereof by Landlord, Landlord, without waiving or releasing Tenant from any obligation of Tenant hereunder, may, but shall not be obligated to, make any such payment or perform any such other term or covenant on Tenant's part to be performed. All sums so paid by Landlord and all necessary costs of such performance by Landlord together with interest thereon at the rate of the prime rate of interest per annum as quoted by the Bank of America from the date of such payment of performance by Landlord, shall be paid (and Tenant covenants to make such payment) to Landlord on demand by Landlord, and Landlord shall have (in addition to any other right or remedy of Landlord) the same rights and remedies in the event of nonpayment by Tenant as in the case of failure by Tenant in the payment of rent hereunder.

32. ATTORNEYS' FEES

(A) In the event that Landlord should bring suit for the possession of the Premises, for the recovery of any sum due under this Lease, or because of the breach of any provision of this Lease, or for any other relief against Tenant hereunder, or in the event that Tenant should bring suit against Landlord for the recovery of any sum due hereunder or because of the breach of any provision

of this Lease or for any other relief against Landlord hereunder, then all costs and expenses, including reasonable attorneys' fees, incurred by the prevailing party therein shall be paid by the other party, which obligation on the part of the other party shall be deemed to have accrued on the date of the commencement of such action and shall be enforceable whether or not the action is prosecuted to judgement.

(B) Should Landlord be named as a defendant in any suit brought against Tenant in connection with or arising out of Tenant's occupancy hereunder, Tenant shall pay to Landlord its costs and expenses incurred in such suit, including a reasonable attorney's fee, except to the extent Landlord's cost and expense were caused by the negligence or willful misconduct of Landlord, its agents or employees.

33. WAIVER The waiver by either party of the other party's failure to perform or observe any term, covenant or condition herein contained to be performed or observed by such waiving party shall not be deemed to be a waiver of such term, covenant or condition or of any subsequent failure of the party failing to perform or observe the same or any other such term, covenant or condition therein contained, and no custom or practice which may develop between the parties hereto during the term hereof shall be deemed a waiver of, or in any way affect, the right of either party to insist upon performance and observance by the other party in strict accordance with the terms hereof.

34. NOTICES All notices, demands, requests, advices or designations which may be or are required to be given by either party to the other hereunder shall be in writing. All notices, demands, requests, advices or designations by Landlord to Tenant shall be sufficiently given, made or delivered if personally served on Tenant by leaving the same at the Premises or if sent by United States certified or registered mail, postage prepaid, addressed to Tenant at the Premises. All notices, demands, requests, advices or designations by Tenant to Landlord shall be sent by United States certified or registered mail, postage prepaid, addressed to Landlord at its offices at 5201 Ash Street, Palo Alto, CA 94306. Each notice, request, demand, advice or designation referred to in this paragraph shall be deemed received on the date of the personal service or mailing thereof in the manner herein provided, as the case may be.

35. EXAMINATION OF LEASE Submission of this instrument for examination or signature by Tenant does not constitute a reservation of or option for a lease, and this instrument is not effective as a lease or otherwise until its execution and delivery by both Landlord and Tenant. Landlord and Tenant mutually intend that neither shall have any binding contractual obligations to the other with respect to the matters referred to herein unless and until this instrument has been fully executed by both parties.

36. DEFAULT BY LANDLORD Landlord shall not be in default unless Landlord fails to perform obligations required of Landlord within a reasonable time, but in no event earlier than thirty (30) days after written notice by Tenant to Landlord and to the holder of any first mortgage or deed of trust covering the Premises whose name and address shall have heretofore been furnished to Tenant in writing, specifying wherein Landlord has failed to perform such obligations; provided, however, that if the nature of Landlord's obligations is such that more than thirty (30) days are required for performance, then Landlord shall not be in default if Landlord commences performance within such thirty (30) day period and thereafter diligently prosecutes the same to completion.

(Paragraph 36 is continued below)

37. CORPORATE AUTHORITY If Tenant is a corporation (or a partnership) each individual executing this Lease on behalf of said corporation (or partnership) represents and warrants that he is duly authorized to execute and deliver this Lease on behalf of said corporation (or partnership) in accordance with the by-laws of said corporation (or partnership in accordance with the partnership agreement) and that this Lease is binding upon said corporation (or partnership) in accordance with its terms. If Tenant is a corporation, Tenant shall, within thirty (30) days of written request by Landlord after execution of this Lease, deliver to Landlord a certified copy of the resolution of the Board of Directors of said corporation authorizing or ratifying the execution of this Lease.

38.

39. LIMITATION OF LIABILITY In consideration of the benefits accruing hereunder, Tenant and all successors and assigns covenant and agree that, in the event of any actual or alleged failure, breach or default hereunder by Landlord:

- (i) the sole and exclusive remedy shall be against Landlord and Landlord's assets;
- (ii) no partner of Landlord shall be sued or named as a party in any suit or action (except as may be necessary to secure jurisdiction of the partnership)
- (iii) no service of process shall be made against any partner of Landlord (except as may be necessary to secure jurisdiction of the

partnership)

- (iv) no partner of Landlord shall be required to answer or otherwise plead to any service of process;
- (v) no judgment shall be taken against any partner of Landlord;
- (vi) any judgment taken against any partner of Landlord may be vacated and set aside at any time without hearing;
- (vii) no writ of execution will ever be levied against the assets of any partner of Landlord;
- (viii) these covenants and agreements are enforceable both by Landlord and also by any partner of Landlord.

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(ix) The term, "Landlord", as used in this section, shall mean only the owner or owners from time to time of the fee title or the tenant's interest under a ground lease of the land described in Exhibit "B", and in the event of any transfer of such title or interest, Landlord herein named (and in case of any subsequent transfers the then grantor) shall be relieved from and after the date of such transfer of all liability as respects Landlord's obligations thereafter to be performed, provided that any funds in the hands of Landlord or the then grantor at the time of such transfer, in which Tenant has an interest, shall be delivered to the grantee. Similarly, the obligations contained in this Lease to be performed by Landlord shall be binding on Landlord's successors and assigns only during their respective periods of ownership. Tenant agrees that each of the foregoing covenants and agreements shall be applicable to any covenant or agreement either expressly contained in this Lease or imposed by statute or at common law.

40. BROKERS Tenant warrants that it had dealing with only the following real estate brokers or agents in connection with the negotiation of this Lease: The Staubach Company, and that it knows of no other real estate broker or agent who is entitled to a commission in connection with this Lease.

41. SIGNS No sign, placard, picture, advertisement, name or notice shall be inscribed, displayed, printed or affixed on or to any part of the outside of the Premises or any exterior windows of the Premises without the written consent of Landlord first had and obtained and Landlord shall have the right to remove any such sign, placard, picture, advertisement, name or notice without notice to and at the expense of Tenant. If Tenant is allowed to print or affix or in any way place a sign in, on or about the Premises, then upon expiration or other sooner termination of this Lease, Tenant at Tenant's sole cost and expense shall both remove such sign and repair all damage in such a manner as to restore all aspects of the appearance of the Premises to the condition prior to the placement of said sign.

All approved signs or lettering on outside doors shall be printed, painted, affixed or inscribed at the expense of Tenant by a person approved of by Landlord.

Tenant shall not place anything or allow anything to be placed near the glass of any window, door partition or wall which may appear unsightly from outside the Premises.

(Paragraph 41 is continued below)

42. FINANCIAL STATEMENTS In the event Tenant tenders to Landlord any information on the financial stability, creditworthiness or ability of the Tenant to pay the rent due and owing under the Lease, then Landlord shall be entitled to rely upon the information provided in determining whether or not to enter into this Lease Agreement with Tenant and Tenant hereby represents and warrants to Landlord the following: (i) That all documents provided by Tenant to Landlord are true and correct copies of the original; and (ii) Tenant has not withheld any information from Landlord which is material to Tenant's creditworthiness, financial condition or ability to pay the rent; and (iii) all information supplied by Tenant to Landlord is true, correct and accurate in every material aspect and (iv) no part of the information supplied by Tenant to Landlord contains misleading or fraudulent statements as to any material matter.

A default under this paragraph shall be a non-curable default on behalf of Tenant and Landlord shall be entitled to pursue any right or remedy available to Landlord under the terms of this Lease or available to Landlord under the laws of the State of California.

43. HAZARDOUS MATERIALS

A. As used herein, the term "Hazardous Material" shall mean any substance or material which has been determined by any state, federal or local governmental authority to be capable of posing a risk of injury to health, safety or property including all of those materials and substances designated or defined as "hazardous" or "toxic" by (i) the Environmental Protection Agency,

the California Water Quality Control Board, the Department of Labor, the California Department of Industrial Relations, the Department of Transportation, the Department of Agriculture, the Consumer Product Safety Commission, the Department of Health and Human Services, the Food and Drug Agency or any other governmental agency now or hereafter authorized to regulate materials and substances in the environment, or by (ii) the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. 9601 et seq., as amended; the Hazardous Materials Transportation Act, 49 U.S.C. 1801, et seq., as amended; the Resource Conservation and Recovery Act, 42 U.S.C. 6901, et seq., as amended; the Hazardous Waste Control Law, California Health & Safety Code 25100 et seq., as amended; Sections 66680 through 66685 of Title 22 of the California Administration Code, Division 4, Chapter 30, as amended; and in the regulations adopted and publications promulgated pursuant to said laws.

B. Tenant shall not cause or permit any Hazardous Material to be improperly or illegally used, stored, discharged, released or disposed of in, from, under or about the Premises or the Complex, or any other land or improvements in the vicinity of the Premises or the Complex. Without limiting the generality of the foregoing, Tenant, at its sole cost, shall comply with all laws relating to Hazardous Materials. If the presence of Hazardous Materials on the Premises or the Complex caused or permitted by Tenant results in contamination of the Premises or the Complex or any soil in or about the Premises or the Complex, Tenant, at its expense shall promptly take all actions necessary to return the Premises or the Complex to the condition existing prior to the appearance of such Hazardous Material. The termination of this Lease shall not terminate or reduce the liability or obligations of Tenant under this Section, or as may be required by law, to clean up, monitor or remove any Hazardous Materials from the Premises or the Complex.

Tenant shall defend, hold harmless and indemnify Landlord and its agents and employees with respect to all claims, damages and liabilities arising out of or in connection with any Hazardous Material used, stored, discharged, released or disposed of in, from, under or about the Premises or the Complex, where said Hazardous Material is or was attributable to the activities of Tenant, its agents or contractors during the Lease term and whether or not Tenant had knowledge of such Hazardous Material, including, without limitation, any cost of monitoring or removal, any reduction in the fair market value or fair rental value of the Premises or the Complex and any loss, claim or demand by any third person or entity relating to bodily injury or damage to real or personal property.

Tenant shall not suffer any lien to be recorded against the Premises or the Complex as a consequence of a Hazardous Material, including any so called state, federal or local "super fund" lien related to the "clean up" of a Hazardous Material in or about the Premises, where said Hazardous Material is or was attributable to the activities of the Tenant.

C. In the event Hazardous Materials are discovered in or about the Premises or the Complex, and Landlord has substantial reason to believe that Tenant was responsible for the presence of the Hazardous Material, then Landlord shall have the right to appoint a consultant, at Tenant's expense, to conduct an investigation to determine whether Hazardous Materials are located in or about the Premises or the Complex and to determine the corrective measures, if any, required to remove such Hazardous Materials. Tenant, at its expense, shall comply with all recommendations of the consultant, as required by law. To the extent it is determined that Tenant was not responsible for the presence of the Hazardous Materials, then Landlord shall reimburse Tenant for any costs incurred by Landlord and paid by Tenant under the terms of this paragraph 45.C.

Tenant shall immediately notify Landlord of any inquiry, test, investigation or enforcement proceeding by or against Tenant or the Premises or the Complex concerning a Hazardous Material. Tenant acknowledges that Landlord, as the owner of the property, at its election, shall have the sole right, at Tenant's expense, to negotiate, defend, approve and appeal any action taken or order issued with regard to a Hazardous Material by an applicable governmental authority. Provided Tenant is not in default under the terms of this Lease, Tenant shall likewise have the right to participate in any negotiations, approvals or appeals of any actions taken or orders issued with regard to the Hazardous Material and Landlord shall not have the right to bind Tenant in said actions or orders.

Landlord shall defend, hold harmless and indemnify Tenant and its agents and employees with respect to all claims, damages and liabilities arising out of or in connection with any Hazardous Material used, stored, discharged, released or disposed of in, from, under or about the Premises or the Complex, where said Hazardous Material is or was not attributable to the activities of Tenant, its agents or contractors during the Lease term and whether or not Tenant had knowledge of such Hazardous Material, including, without limitation, any cost of monitoring or removal, any reduction in the fair market value or fair rental value of the Premises or the Complex and any loss, claim or demand by any third person or entity relating to bodily injury or damage to real or personal property.

D. It shall not be unreasonable for Landlord to withhold its consent to any proposed assignment or subletting if (i) the proposed assignee's or

subtenant's anticipated use of the Premises involves the storage, use or disposal of Hazardous Material; (ii) if the proposed assignee or subtenant has been required by any prior landlord, lender or governmental authority to "clean up" Hazardous Material; (iii) if the proposed assignee or subtenant is subject to investigation or enforcement order or proceeding by any governmental authority in connection with the use, disposal or storage of a Hazardous Material.

E. Tenant shall surrender the Premises to Landlord, upon the expiration or earlier termination of the Lease, free of Hazardous Materials which are or were attributable to Tenant. If Tenant fails to so surrender the Premises, Tenant shall indemnify and hold Landlord harmless from all damages resulting from Tenant's failure to surrender the Premises as required by this paragraph, including, without limitation, any claims or damages in connection with the condition of the Premises including, without limitation, damages occasioned by the inability to relet the Premises or a reduction in the fair market and/or rental value of the Premises or the Complex by reason of the existence of any Hazardous Materials, which are or were attributable to the activities of Tenant, in or around the Premises or the Complex.

Notwithstanding any provision to the contrary in this Lease, if any action is required to be taken by a governmental authority to clean-up, monitor or remove any Hazardous Materials, which are or were attributable to the activities of Tenant, from the Premises or the Complex and such action is not completed prior to the expiration or earlier termination of the Lease, then at Landlord's election (i) this Lease shall be deemed renewed for a term commencing on the expiration date of this Lease and ending on the date the clean-up, monitoring or removal procedure is completed (provided, however, that the total term of this Lease shall not be longer than 34 years and 11 months); or (ii) Tenant shall be deemed to have impermissibly held over and Landlord shall be entitled to all damages directly or indirectly incurred in connection with such holding over, including without limitation damages occasioned by the inability to relet the Premises or a reduction in the fair market and/or fair rental value of the Premises or the Complex by reason of the existence of the Hazardous Material.

F. Upon the Lease Commencement Date, Tenant shall provide to Landlord a complete list of all chemicals, toxic waste or Hazardous Materials employed by Tenant within the Premises. Throughout the term of this Lease, Tenant shall continue to update this list of chemicals, contaminants and Hazardous Materials.

Landlord hereby warrants Tenant that there is no asbestos in the buildings.

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44. MISCELLANEOUS AND GENERAL PROVISIONS

a. Tenants shall not, without the written consent of Landlord, use the name of the building for any purpose other than as the address of the business conducted by Tenant in the Premises.

b. This lease shall in all respects be governed by and construed in accordance with the laws of the State of California. If any provision of this Lease shall be invalid, unenforceable or ineffective for any reason whatsoever, all other provisions hereof shall be and remain in full force and effect.

c. the term "Premises" includes the space leased hereby and any improvements now or hereafter installed therein or attached thereto. The term "Landlord" or any pronoun used in place thereof includes the plural as well as the singular and the successors and assigns of Landlord. The term "Tenant" or any pronoun used in place thereof includes the plural as well as the singular and individuals, firms, associations, partnerships and corporations, and their and each of their respective heirs, executors, administrators, successors and permitted assigns, according to the context hereof, and the provisions of this Lease shall inure to the benefit of and bind such heirs, executors, administrators, successors and permitted assigns.

The term "person" includes the plural as well as the singular and individuals, firms, associations, partnerships and corporations. Words used in any gender include other genders. If there be more than one Tenant the obligations of Tenant hereunder are joint and several. The paragraph headings of this Lease are for convenience of reference only and shall have no effect upon the construction or interpretation of any provision hereof.

d. Time is of the essence of this Lease and of each and all of its provisions.

e. At the expiration or earlier termination of this Lease, Tenant shall execute, acknowledge and deliver to Landlord, within ten (10) days after written demand from Landlord to Tenant, any quitclaim deed or other document required by any reputable title company, licensed to operate in the State of California, to remove the cloud or encumbrance created by this Lease from the real property of which Tenant's Premises are a part.

f. This instrument along with any exhibits and attachments hereto constitutes the entire agreement between Landlord and Tenant relative to the Premises and this agreement and the exhibits and attachments may be altered, amended or revoked only by an instrument in writing signed by both Landlord and Tenant. Landlord and Tenant hereby agree that all prior or contemporaneous oral agreements between and among themselves and their agents or representatives relative to the leasing of the Premises are merged in or revoked by this agreement.

g. Neither Landlord nor Tenant shall record this Lease or a short form memorandum hereof without the consent of the other.

h. Tenant further agrees to execute any amendments required by a lender to enable Landlord to obtain financing, so long as Tenant's rights hereunder are not substantially affected.

i. Paragraph(s) 45 through 54 are/is added hereto and are/is included as a part of this Lease.

j. Clauses, plats and riders, if any, signed by Landlord and Tenant and endorsed on or affixed to this Lease are a part hereof.

k. Tenant covenants and agrees that no diminution or shutting off of light, air or view by any structure which may be hereafter erected (whether or not by Landlord) shall in any way affect this Lease, entitle Tenant to any reduction of rent hereunder or result in any liability of Landlord to Tenant.

Paragraph 44 is continued below.

IN WITNESS WHEREOF, Landlord and Tenant have executed and delivered this Lease as of the day and year first above written.

LANDLORD:

TENANT:

CHARLESTON PROPERTIES, a
California General Partnership

INTUIT, INC., a
Delaware Corporation

By /s/ Boyd C. Smith

By /s/ W.H. Lane

Title Partner

Title VP/CFO

2.B. (continued). TENANT'S COMPENSATION IN THE EVENT OF A DELAY

- (1) In the event Landlord is unable to make the Premises available to Tenant 90 days prior to the Lease Commencement Date as set forth in Paragraph 2A above to permit Tenant to commence construction of desired changes within the Premises, Tenant shall receive any and all monies received by Landlord as penalties (hereinafter referred to as Sun Excess Rent) from Sun Microsystems (the prior Tenant) in excess of the Basic Rent amount that Sun Microsystems would have been obligated to pay Charleston Properties during any holdover period. For example, if Sun Microsystems paid Landlord 150% of Basic Rent during a holdover period, Landlord would receive 100% of the Basic Rent and Tenant would receive the 50% Sun Excess Rent.

Paragraph 2.C. EARLY OCCUPANCY FOR CONSTRUCTION PURPOSES

The Lease Commencement Date for the Premises leased hereunder shall remain as stated in paragraph 2A provided Landlord has granted Tenant access to the Premises ninety days prior to the commencement of the Lease for the purpose of Tenant's construction of Tenant Improvements. At such time as Landlord has made the Premises available for the commencement of construction, Tenant or Tenant's contractor, shall be permitted to commence construction. During this 90 day period, Tenant shall hold Landlord, and WSJ Properties (Landlord's Property Management Company retained to manage the Complex) harmless from any loss or damage caused by Tenant's or Tenant's contractor's construction activities during this period. During this 90 day construction period, Tenant shall not be obligated to pay Basic or Additional Rent on the Premises so under construction unless Tenant elects to occupy the Premises during this 90 day period with Tenant's operating personnel. In the event Tenant does occupy the Premises with operating personnel, Tenant shall occupy the Premises under all the terms and conditions of the Lease and Tenant shall pay Landlord Basic and Additional Rent beginning with said Date of Occupancy by Tenant's operating personnel up and until the specified Commencement Date of the term of the Lease in the

following daily amounts:

Daily Basic Rent	\$2,132.00
Daily Additional Rent	\$ 317.00 (estimated)

The Commencement Date and Termination Date of Lease for the Premises shall not be affected by this early occupancy and shall remain as stated.

Paragraph 4A (1) (continued). BASIC RENT

The table below represents a specific Basic Rent expressed in dollars per square foot per month for a specific time period. The Basic Rent due and payable is calculated by multiplying the gross square footage leased times the Basic Rent per square foot per month as indicated.

The Basic Rent rates are as follows:

1/1/1997 - 12/31/1999	\$1.50 per square foot per month
1/1/2000 - 12/31/2003	\$1.60 per square foot per month
1/1/2004 - 12/31/2007	\$1.70 per square foot per month
1/1/2008 - 12/31/2008	\$1.75 per square foot per month or the Fair Market Value,

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whichever is greater

1/1/2009 and thereafter	The rate per square foot per month shall be increased by \$.05/per square foot per month as of each January 1 during the term over the prior year or shall be the Fair Market Value, whichever is greater.
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(See paragraph 46 for Fair Market Value definition and determination and paragraph 50 for Basic Rent Abatement for Tenant Improvements).

Paragraph 4A (2). PAYMENT UPON EXECUTION OF LEASE AND TIMELY PAYMENT OF MONTHLY BASIC AND ADDITIONAL RENT

Upon execution of this Lease, Tenant shall pay Landlord, \$63,948 (42,632 x \$1.50) representing the first month's Basic Rent payment. During the term of the Lease, Tenant's monthly Basic and Additional Rent shall be due and payable on or before the first day of each month of the Lease term.

Paragraph 4D (continued). ADDITIONAL RENT

For purposes of calculating Tenant's proportionate share of Additional Rent Expenses for the Complex it is hereby mutually agreed the Complex totals 85,264 rentable square feet (Buildings 1, 2).

Landlord's monthly estimate for Additional Rent items described in paragraph 4D (excluding taxes) for calendar year 1996 is \$6,600 per month (42,632 x \$0.155). The following represents a line item breakdown of Landlord's estimate of monthly expenses (expressed in dollars per square foot per month):

<TABLE>	<C>
<S>	
Exterior maintenance and landscape	\$0.045
Building maintenance and HVAC	0.065
Insurance (including earthquake insurance)	0.025
Management	0.02
Utilities (Tenant pays directly)	-0-
Janitorial (Tenant pays directly)	-0-

Total	\$0.155
</TABLE>	

Landscape water for the Complex shall be paid directly by Tenant if Tenant occupies the entire Complex.

Taxes shall be billed separately and prorated for periods of occupancy and shall be due December 1st and April 1st of each

calendar year. Landlord's estimate for the 1995-1996 Tax year (July 1, 1995 - June 30, 1996) for the Complex is as follows:

Parcel #116-03-029 (Buildings 1,2)

\$83,000 or \$41,500 per Building per year

Tenant shall have the right, during normal business hours and at Tenant's own expense, to audit Landlord's records concerning Additional Rent items. In the event a discrepancy of greater than 3% of Tenant's correct share of costs is discovered, Landlord shall pay the cost of Tenant's out of pocket costs to third parties and shall credit or refund to Tenant the amount of the discrepancy. If the audit indicates Tenant owes Landlord an additional

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amount, Tenant shall pay the additional amount promptly.

Paragraph 4F (continued). SECURITY DEPOSIT

Notwithstanding anything in the Lease to the contrary, Landlord agrees to accept, and Tenant shall have the right, at Tenant's sole discretion, to pay for the Security Deposit by tendering to Landlord, on execution of this Lease, an irrevocable standby Letter of Credit. The form of the irrevocable standby Letter of Credit must be acceptable to Landlord, and in the event the term of said Letter of Credit is for one year, then Tenant agrees to renew said Letter of Credit 30 days prior to expiration of the Letter of Credit. Tenant's failure to renew the Letter of Credit for an additional year, 30 days prior to its expiration date, shall entitle Landlord to draw against the Letter of Credit the amount of the Security Deposit.

Paragraph 7 (continued)

Further, Landlord hereby represents and covenants that with respect to direct maintenance of the Premises only WSJ's overhead shall be included in these costs and no profit component is or will be built into the cost of the services or materials provided by any of Landlord's subsidiaries or affiliates who are under contract to provide services and materials to the Premises (including without limitation WSJ Properties). Excluded as reimbursable costs from Tenant to Landlord are the follows:

1. any fines, costs, penalties or interest resulting from the negligence or willful misconduct of the Landlord or its agents, contractors, or employees;
2. any costs of any services sold or provided to tenants or other occupants for which Landlord or Managing Agent is entitled to be reimbursed by such tenants or other occupants.
3. acquisition costs for sculptures, paintings, or other objects of art;
- 4 costs for which Landlord has been compensated by a management fee; for example, accounting costs necessary to operate the Complex and report its financial status to the Landlord.

Paragraph 9 (continued). ALTERATIONS AND ADDITIONS

Landlord shall lease the premises to Tenant in an "as-is" condition, and other than Landlord's repair obligation per paragraph 49 and Landlord's code compliance obligation per paragraph 48, all cost of construction including demolition, architectural, drawings, permitting fees, etc., shall be paid by Tenant with landlord's contributions limited to those described in paragraph 50.

Notwithstanding anything herein to the contrary, upon Landlord's approval of Tenant's initial Tenant Improvements to be installed and paid for by Tenant (except as provided for in paragraph 50), Tenant shall not be required to restore the initial build-out to the configuration and condition in existence as of the date Landlord first delivers possession of the Premises to Tenant. Should Tenant elect to install a ceiling and lighting system that is other than a standard 2 x 2 or 2 x 4 T-Bar grid and 2 x 2 or 2 x 4 drop-in parabolic lens with fluorescent bulb fixtures Landlord may, in its sole discretion determined at the time Landlord approves the plans, require restoration to the existing ceiling system and similar light fixtures. If Tenant makes no changes to the Premises at the outset and uses the Premises in an as-is condition, and later makes substantial renovations or improvements, then, at Landlord's option, any future restoration required shall be to the original condition and configuration as first delivered to Tenant. At the time any subsequent alterations are requested

Landlord shall notify Tenant of any restoration requirements per this paragraph 9. Landlord shall not have the right to approve or disapprove or to require restoration in the event any changes subsequent to the initial build-out of any building meet the following criteria:

- 1) The total cost of construction is less than \$15,000.
- 2) The changes do not in anyway affect exiting or fire corridors, restrooms, building entrances, lobbies, building systems or structure. Landlord's granting approval to Tenant to make changes herein described without the obligation to restore is in reliance upon Tenant's making commercially reasonable alterations and Tenant agrees not to use this subparagraph to circumvent Landlord's right to require Tenant to restore the premises under paragraph 9.

Tenant shall have the right to employ a general contractor of its choosing for any modifications desired to be made to the Premises leased hereunder. However, Tenant hereby agrees in the event Tenant elects to make subsequent modifications to the Premises to consider the WSJ Properties Construction Division a preferred vendor and Tenant hereby acknowledges that it is Landlord's strong preference to have WSJ Properties Construction Division perform any modifications to the Premises. Although Tenant shall consider WSJ Properties Construction Division a preferred vendor, Tenant shall be under no obligation to select WSJ Properties and Tenant further acknowledges WSJ is a completely separate entity from landlord and any disputes relating to construction performed by WSJ for Tenant shall be resolved directly between WSJ and Tenant.

Paragraph 11 (continued). UTILITIES

Tenant shall pay promptly, as the same become due, all charges for water, gas, electricity, telephone, telex and other electronic communications service, sewer service, waste pick-up and any other utilities, materials or services furnished directly to or used by Tenant on or about the Premises during the term of this Lease, including, without limitation, any temporary or permanent utility' surcharge or other exactions whether or not hereinafter imposed.

Landlord shall not be liable for and Tenant shall not be entitled to any abatement or reduction of rent by reason of any interruption or failure of utility services to the Premises when such interruption or failure is caused by accident, breakage, repair, strikes, lockouts, or other labor disturbances or labor disputes of any nature, or by any other cause, similar or dissimilar, beyond the reasonable control of Landlord.

Paragraph 19 (continued). ASSIGNMENT AND SUBLETTING

Notwithstanding the foregoing, without the prior consent of Landlord, Tenant shall have the right (i) to assign this Lease to an affiliate or subsidiary of Tenant or (ii) to merge with another corporation or entity or (iii) to enter into an acquisition of another corporation or be acquired by another corporation, in each case provided that Landlord is promptly provided with notice thereof and Tenant remains fully liable for the full performance of Tenant's obligation under the Lease; provided, however, that in the event Tenant merges into another entity or is wholly acquired by another entity (in each case, the "Successor Entity"), and provided Tenant ceases to exist and the Successor Entity is at least as well capitalized as Tenant and has at least the same overall financial wherewithal as Tenant had prior to such merger or acquisition, it shall be the Successor Entity (not Tenant) who shall be fully liable hereunder as the successor tenant.

Paragraph 24 (continued). DESTRUCTION

In the event the Premises are damaged or destroyed in whole or

in part from any cause, Landlord shall, within fifteen (15) days of the event of such damage or destruction, notify Tenant in writing as to the approximate length of time necessary for Landlord to reconstruct the Premises to substantially its former condition. If such estimate exceeds one hundred eighty (180) days from the date of damage or destruction, Tenant shall have the option, within ten (10) days of receipt of Landlord's notice, to terminate this Lease. If Tenant does not exercise its option to terminate, or if Tenant is not entitled to terminate under this paragraph, Landlord shall promptly, at its sole expense, rebuild or restore the Premises to substantially the condition existing prior to the date of damage or destruction. Tenant shall be entitled to a reduction in rent while such repair is being made in the proportion that the area of the Premises rendered untenable by such damage bears to the total

area of the Premises. If Landlord does not complete the rebuilding or restoration within one hundred eighty (180) days following the date of destruction (such period of time to be extended for delays caused by the fault or neglect of Tenant or because of Acts of God, acts of public agencies, labor disputes, strikes, fires, freight embargoes, rainy or stormy weather, inability to obtain materials, supplies or fuels), then Tenant shall have the right to terminate this Lease by giving fifteen (15) days prior written notice to Landlord. Notwithstanding anything herein to the contrary, Landlord's obligation to rebuild or restore shall be limited to the building and interior improvements constructed by Landlord as they existed as of the commencement date of the Lease and the initial Tenant Improvements installed at the commencement of the term, but shall not include restoration of Tenant's trade fixtures, equipment, merchandise or any subsequent improvements, alterations or additions made by Tenant to the Premises, which Tenant shall forthwith replace or fully repair at Tenant's sole cost and expense provided this Lease is not canceled according to the provisions above. Unless this Lease is terminated pursuant to the foregoing provisions, this Lease shall remain in full force and effect. Tenant hereby expressly waives the provisions of Section 1932, Subdivision 2, and Section 1933, Subdivision 4 of the California Civil Code.

Notwithstanding anything to the contrary set forth above, in the event the damage or destruction of the Premises (i) occurs during the last two years of the term (unless any applicable extension option has been exercised) and (ii) has rendered at least 33% of the Premises unusable by Tenant, Landlord shall have the option during the aforementioned fifteen (15) day period to elect not to rebuild the Premises by so notifying Tenant or to elect to terminate this Lease by so notifying Tenant.

Paragraph 28 (continued). HOLDING OVER

Tenant shall have the right, upon one year prior written notice to Landlord, to extend the lease termination date for this Lease up to six months beyond the lease expiration date provided and only if Tenant has also agreed to similarly and in a coterminus manner extend the lease termination date for all the leases for Buildings leased by Tenant within the Complex. Tenant may not exercise this right to extend the lease termination date on less than all the Buildings leased within the Complex. The Basic Rent during this extended period shall be 125% of the monthly Basic Rent then in effect for the month immediately prior to the lease expiration.

Paragraph 36 (continued). DEFAULT BY LANDLORD

Notwithstanding anything to the contrary set forth above in this paragraph 36, Landlord and Tenant agree that under certain "emergency circumstances", Tenant shall have the right to perform obligations otherwise required of Landlord without the necessity of providing Landlord (and any mortgagee) with such thirty (30) day notice and opportunity to cure. Under such "emergency circumstances", Tenant shall use its good faith reasonable

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judgment in determining a shorter notice period for response by Landlord or determining that the matter at hand must be resolved immediately such that notice can only be given after the fact. For the purposes hereof, "emergency circumstances" shall mean (i) any hazardous situation that poses a threat of damage, destruction or injury to any person or property of a material nature or otherwise threatens the safety of employees and/or visitors to the Premises or (ii) any other circumstance that involves a substantial interference with the operations of Tenant's business enterprise in the Premises, including without limitation the launching of new software products or revisions thereto (especially to correct existing problems which must be addressed immediately) to enable customers to perform needed financial and tax-related functions, which is of special concern during the months preceding April 15th of each calendar year.

Paragraph 41 (continued). SIGNS

Subject to the approval of the City of Mountain View and Landlord, whose consent shall not be unreasonably delayed, Tenant, at Tenant's sole cost and expense, shall have the right to install (i) a monument sign located at the main driveway entrance to the Complex; (ii) suitable building signage adjacent to the Premises and (iii) suitable directional signage in the common areas and within the Premises leased hereunder. Landlord shall promptly remove all prior tenant signage from the Premises and any common areas adjacent thereto and said removal shall not be at Tenant's expense.

Paragraph 44 (continued). MISCELLANEOUS AND GENERAL PROVISIONS

Landlord covenants with Tenant that upon Tenant paying the rent and all other charges required under this Lease and performing all of Tenant's covenants and agreements contained herein, Tenant shall peacefully have, hold and enjoy the Premises, subject to all of the terms and conditions of this Lease.

45. OPTIONS TO EXTEND

Provided Tenant is not in default under any of the terms, covenants or conditions of this Lease and subject to the terms and conditions set forth hereafter, Tenant is hereby granted the option to extend the term of Lease for the Premises leased hereunder for two consecutive five year periods:

a) Tenant's option to extend this Lease is contingent upon Tenant also extending the term of lease for all the Buildings then leased within the Complex. For example, should Tenant desire to extend this lease in the Complex, Tenant must exercise its option to extend the Lease for each of Buildings 1 & 2, and may not, for example, elect to extend the lease on building 2 but not 1. It is hereby acknowledged that the lease expiration dates of buildings leased within the Complex might not terminate on the same date. It is further agreed that in the event Tenant does not lease all the buildings within the Complex, nevertheless, Tenant shall have the option to extend the lease on the buildings so leased per the terms of this paragraph 45.

b) Tenant shall notify Landlord in writing of Tenant's exercise of its option to extend the Lease for each Building leased within the Complex no less than 12 months prior to the earliest lease expiration date of any Building leased within the Complex.

c) The Lease for each building within The Complex shall be extended for a period of five years commencing upon the day after the Lease termination date for such Building within the Complex and shall terminate five years later.

d) The monthly Basic Rent during the extended term shall be

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as defined in paragraph 4A.

e) The then current payment for Additional Rent described in paragraph 4 D of the Lease shall continue to be adjusted according to paragraph 4D of the Lease.

f) This option to extend can be exercised solely by Tenant for its sole use of the Premises (including any permitted subtenants and affiliates which in total do not exceed 25% of a Complex) and may not be transferred or assigned to any sublessee or other party, nor may this option be exercised by Tenant if more than 25% of a Complex is then subleased to a party other than Tenant or Tenant's affiliates.

46. FAIR MARKET RATE

The fair market rate shall be defined as the prevailing market rate with interim adjustments (if any) then charged for comparable space of comparable quality in the immediate Mountain View/Shoreline market area. For the period January 1, 2008 and annually thereafter this Lease calls for a determination of the fair market rate. Landlord shall promptly notify Tenant of such rate as reasonably determined by Landlord one hundred and eighty days prior to the beginning of each successive calendar year, beginning with calendar year 2008. Landlord and Tenant shall attempt to agree in writing on such fair market rate. If Landlord and Tenant do not agree on the fair market rate for the Premises by that date which is one hundred fifty (150) days prior to the beginning of a calendar year, then Landlord and Tenant shall each select a licensed real estate broker (the "Brokers") with a minimum five (5) years commercial leasing experience in the Mountain View area to determine the fair market rate for the Premises. If the Brokers are unable to agree as to the fair market rate by that date which is one hundred twenty (120) days prior to the end of the calendar year in question, then the Brokers shall mutually select a third licensed real estate broker (the "Arbitrator") who has the same minimum qualifications as the Brokers and who has not previously represented either party. Each Broker shall submit to the Arbitrator his or her determination of the fair market rate for the Premises, and the support therefor, and the Arbitrator shall decide which Broker has most accurately determined the fair market rate, which decision shall be final and binding on both Landlord and Tenant. Landlord and Tenant shall each pay their own Broker's fees and costs and shall each pay one-half (1/2) of the Arbitrator's fees and costs.

47. Paragraph 47 is hereby intentionally omitted.

48. CODE COMPLIANCE

With respect to all applicable local, state and federal regulations and codes including without limitation the Americans with Disabilities Act and Title XXIV of the California Energy Code, as of the commencement of lease term for the Premises, Landlord at Landlord's sole cost and expense shall make all modifications to the exterior of the Premises such as parking lots, stairways, walkways, etc. to bring the exterior of the Premises leased hereunder into compliance. Commencing as of the date Landlord offers possession of the Premises to Tenant, Landlord shall at Landlord's sole cost and expense make any

governmentally required modifications to the restrooms to bring them into compliance with all applicable codes. Landlord's compliance obligations with respect to the restrooms set forth in this paragraph 48 shall also include replacing fixtures and finishes as necessary. Landlord's sole obligation with respect to compliance is therefore limited to any governmentally required modifications to the Bathrooms within the Premises and any governmentally required modifications to the exterior. All other costs and obligations with respect to compliance shall rest solely with Tenant. All such interior modifications shall be completed diligently prior to the Lease

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Commencement Date referenced in Paragraph 2A above. All exterior modifications to be made by Landlord shall be diligently constructed to completion.

49. ACCEPTANCE AND SURRENDER OF PREMISES AND COST OF MAJOR REPAIRS

Notwithstanding anything in paragraphs 8 & 9 to the contrary, commencing as of the date Landlord offers possession of the Premises to Tenant, an independent inspection team shall be hired to make a thorough inspection of the Premises. Tenant shall hire the inspectors subject to Landlord's reasonable approval of the cost of the inspection and the inspector. Landlord shall pay for the inspection. Said inspection shall be limited to and shall only include roofs, elevators, HVAC systems, electrical systems (including lights and bulbs), plumbing systems, locking mechanisms, exterior and roll-up doors, and glazing. Tenant shall provide Landlord a copy of these reports. Landlord shall deliver the buildings and all operating systems covered in the report to Tenant as of the Lease Commencement Date referenced in Paragraph 2A above in a well maintained condition and in good repair. Landlord shall be under no specific obligation to upgrade any particular system and Tenant acknowledges that the systems have been previously used. Landlord's repair of the referenced items shall not affect the commencement date of the Lease so long as Tenant is able to occupy and operate in the Premises without interference. Notwithstanding anything in paragraph 7 to the contrary, Capital Expenses made by Landlord shall not be included in the annual expenses of operation, management and maintenance of the Building or Complex. For example, the replacement of an entire roof shall not be deemed an expense of operation whereas the ongoing repair and maintenance of a roof is deemed an operating expense. In addition to provisions of paragraph 4D and 7, if there is a single incident that requires a maintenance expense up to \$15,000, said expense shall be reimbursable by Tenant and shall be included in the annual operating expenses. For single large maintenance expenses between \$15,000 and \$20,000, such expense will be reimbursable by Tenant (without interest) over three years with an equal amount charged per year. If a single large maintenance expense is greater than \$20,000, it shall be reimbursable by Tenant over a 5 year period, in equal amounts reimbursable per year.

Landlord shall lease the Premises to Tenant in an "as-is," condition, and other than Landlord's repair obligation per paragraph 49 and Landlord's code compliance obligation per paragraph 48, all cost of construction including demolition, architectural, drawings, permitting fees, etc., shall be paid by Tenant with Landlord's contributions limited to those described in paragraph 50.

50. LANDLORD'S CONTRIBUTION TOWARDS TENANT IMPROVEMENTS

Landlord shall contribute \$15.00 per rentable square foot towards Tenant requested improvements to the Premises. Landlord's total tenant improvement obligation is $\$15 \times 42,632 \text{ s.f.} = \$639,480$. Tenant shall be granted these tenant improvement dollars in the form of \$383,688 Basic Rent abatement and \$255,792 cash allowance towards improvements. If the initial tenant improvement expense is less than the amounts specified herein, Landlord and Tenant shall split equally the savings after Landlord has deducted the cost of Landlord's expenditures per paragraph 48 from the contributions towards Tenant's Improvements. Landlord's cash contribution shall only be made available in the event tenant improvements exceed the amount granted in the form of rent abatement. For example, should Tenant improvements for the Premises total \$400,000 and Landlord's costs per paragraph 48 was \$20,000 the savings represented would be $\$639,480 - 20,000 - 400,000 = \$219,480$. Landlord would therefore grant Tenant a total of \$509,740 calculated as follows; $219,480 + 2 = 109,740$; $400,000 + 109,740 = \$509,740$ as Landlord's contribution towards improvements. Landlord's rent abatement would equal \$383,688 and Landlord's cash

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contribution would equal \$126,052. Other than the cost of Landlord's obligations under paragraphs 48 and 49, the allowance described in this Paragraph 50 represents Landlord's only obligation toward improvements to the Premises.

51. CONSTRUCTION SUPERVISION. Landlord, at Landlord's sole cost and expense, shall retain WSJ Properties Construction Division to supervise the improvements

made by Tenant's Contractor (if other than WSJ Properties) for Tenant's initial built-out. Landlord shall approve all plans in a timely manner prior to commencement of construction and copies of all permits and final signed-off copies of permits shall be submitted to Landlord. Landlord shall also be named as an additional insured on all general and subcontractor insurance policies and shall receive lien releases from all subcontractors. In general, Landlord requires the following:

- 1) The construction area must be kept clean and neat with interior and exterior daily pick-up.
- 2) The construction may not unreasonably interfere with any other tenants in the Complex.
- 3) Landlord shall received copies of as-built drawings for the improvements, including HVAC, electrical, plumbing, partitions, reflected ceilings, finish schedules, millwork, etc. There shall also be one reproducible set of drawings submitted to Landlord.
- 4) Landlord shall received a list of all finishes and suppliers.
- 5) ELECTRICAL
 - a) All electrical shall be in EMT with no M.C. Cable.
 - b) Any new panels and breakers to match existing and shall be accurately labeled.
 - c) All fluorescent lighting shall be cool white or otherwise as reasonably agreeable to both parties.
- 6) HVAC
 - a) Zone boxes and controls shall match existing if available.
 - b) EMONDEMON meters shall be installed on all special air conditioning units.
 - c) All thermostats shall be new and match existing if available.
 - d) Landlord shall receive a structural report for all new units placed on the roof.
 - e) All roof patching shall be hot mopped not cold patched.
 - f) Upon completion of construction the HVAC Systems shall be air balanced and all filters changed.
- 7) PLUMBING

Tenant shall not use plastic piping. All piping must be copper galvanized or cast iron.
- 8) KEYS

Landlord shall be provided with the copies of any keys to locking mechanisms for emergency purposes. Tenant shall

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use a BEST-lock system.

- 9) Tenant shall be responsible for meeting all applicable codes for earthquake, energy, and handicap requirements directly related to Tenant's interior improvements. Any contractor or subcontractor must be licensed to do business in the State of California. This Tenant responsibility shall be for all items not defined as Landlord's responsibility in paragraph 48.
- 10) The general contractor and subcontractors shall use first class construction practices and shall comply with reasonable suggestions of the WSJ Properties Construction Supervisor.

52. NON DISTURBANCE

Landlord further represents that there are no outstanding loans on the Premises leased hereunder. In the event Landlord borrows in the future and uses the Premises leased hereunder as security, Landlord shall so notify Tenant.

53. MICROSOFT TO BE SUBSTITUTED AS TENANT

Tenant warrants to Landlord that Tenant's Board of Directors has approved this Lease transaction. Landlord and Tenant further acknowledge that

Tenant is in the process of being acquired by Microsoft, Inc., a Delaware Corporation (hereinafter referred to as Microsoft) headquartered at One Microsoft Way, Redmond, Washington 98052-6399. Landlord, as a material consideration for entering into this Lease has relied on Tenant's representation that in the event this acquisition is completed, Microsoft shall assume directly all the obligations and liabilities of Tenant hereunder and shall be liable for the full performance as Tenant under this Lease. Microsoft has agreed that the assumption of this Lease by Microsoft is a condition of the acquisition of Tenant. Tenant warrants to Landlord that Microsoft has been made aware of this obligation and that Microsoft has agreed to assume all the obligations of this Lease at the time the acquisition is completed.

54. CROSS DEFAULT

It is understood that Landlord and Tenant may enter into several leases for premises in the vicinity of the Premises leased hereunder. Exhibit "B" shows 3 additional buildings for which Tenant shall enter into leases with Landlord (Buildings 3, 4 and 5), and several additional buildings may be leased by Tenant from Landlord at a later date. As a material part of the consideration for the execution of this Lease by Landlord, it is agreed between Landlord and Tenant that a default under this Lease (after any applicable notice and cure period has expired), or a default under a lease by Tenant (after any applicable notice and cure period has expired) for any building leased and shown on Exhibit "B" may, at the option of Landlord, be considered a default under all leases by and between Landlord and Tenant then in effect, in which event Landlord shall be entitled (but in no event required) to apply all rights and remedies of Landlord under the terms of one lease to all leases including, but not limited to, the right to terminate one or all of said leases by reason of default under said Lease or hereunder.

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[MAP OF COMPLEX]

COMPLEX -----	PARCEL NUMBER -----
1	APN 116 03 020
2	APN 116 03 029
3	APN 116 03 028
4	APN 116 03 027

[MAP OF COMPLEX]

COMPLEX -----	PARCEL NUMBER -----
1	APN 116 03 020
2	APN 116 03 029
3	APN 116 03 028
4	APN 116 03 027

RULES AND REGULATIONS OF THE BUILDING

1

No sign, placard, picture, advertisement, name or notice shall be inscribed, displayed or printed as affixed on or to any part of the outside of the Premises or any exterior windows of the Premises without the written consent of Landlord first had and obtained and Landlord shall have the right to remove any such sign, placard, picture, advertisement, name or notice without notice to and at the expense of Tenant.

All approved signs or lettering on outside doors shall be printed, painted, affixed or inscribed at the expense of Tenant.

Tenant shall not place anything or allow anything to be placed near the glass of any window, door partition or wall which may appear unsightly from outside the Premises.

2

Tenant shall not occupy or permit any portion of the Premises to be occupied for the manufacture or sale of liquor, narcotics or tobacco in any form.

3

4

The sidewalks, passages, exits, entrances, elevators and stairways shall not be obstructed by Tenant or used by it for any purpose other than ingress to and egress from its Premises. The passages, exits, entrances, stairways, balconies and roof are not for the use of the general public and Landlord shall in all cases retain the right to control and prevent access thereto by all persons whose presence in the judgment of Landlord shall be prejudicial to the safety, character, reputation and interests of the Premises and its tenants, provided that nothing herein contained shall be construed to prevent such access to persons with whom Tenant normally deals in the ordinary course of Tenant's business unless such persons are engaged in illegal activities. Tenant, employees or invitees of Tenant shall not go upon the roof of the Premises.

5

The toilet rooms, urinals, wash bowls and other apparatus shall not be used for any purpose other than that for which they were constructed and no foreign substances of any kind whatsoever shall be thrown therein and the expense of any breakage, stoppage or damage resulting from the violation of this rule shall be borne by Tenant who, or whose employees or invitees shall have caused it.

6

Tenants shall not overload the floor of the Premises or in any way deface the Premises or any part thereof.

7

Landlord shall have the right to prescribe the weight, size and position of all safes and other heavy equipment brought into the Premises. Safes or other heavy objects shall, if considered necessary by Landlord, stand on wood strips of such thickness as is necessary to properly distribute the weight. Landlord will not be responsible for loss of or damage to any such safe or property from any cause and all damage done to the Premises by moving or maintaining any such safe or other property shall be repaired at the expense of Tenant.

8

9

Tenant shall not use, keep or permit to be used or kept any foul or noxious gas or substance in the Premises, or permit or suffer the Premises to be occupied or used in a manner offensive or objectionable to Landlord or other occupants of the Premises by reason of noise, odors and/or vibrations, or interfere in any way with other tenants or those having business therein, nor shall any animals or birds with the exception of Dog Guides for the blind, be brought in or kept about the Premises.

10

No cooking (except microwave cooking and coffee/tea brewing) shall be done or permitted by Tenant on the Premises, nor shall the Premises be used for the storage of merchandise for washing clothes, for lodging, or for any improper, objectionable or immoral purposes.

11

No boring or cutting for wires will be allowed without the consent of Landlord. The location of telephones, call boxes and other office equipment affixed to the Premises shall be subject to the approval of Landlord.

12

Tenant upon the termination of the tenancy, shall deliver to Landlord the keys of offices, rooms and toilet rooms which have been furnished the Tenant or which Tenant shall have had made.

13

Tenant shall see that the doors of the Premises are closed and securely locked before leaving the Premises and must observe strict care and caution that all water faucets or water apparatus within the Premises are entirely shut off before Tenant or Tenant's employees leave the Premises, and that all electricity shall likewise be carefully cut off, so as to prevent waste or damage.

14

Landlord reserves the right to exclude or expel from the Premises any person who, in the judgment of Landlord, is intoxicated or under the influence of liquor or drugs, or who shall in any manner do any act in violation of any of the rules and regulations of the Premises.

15

16

17

Tenant shall not disturb, solicit, or canvass any occupant of the Premises and shall cooperate to prevent same.

18

Tenant agrees to assume responsibility for compliance by its employees with the parking provision contained herein. Tenant hereby authorizes Landlord at Tenant's sole expense to tow away from the Complex any vehicle belonging to Tenant or Tenant's employees parked in violation of these provisions, or to attach violation stickers or notices to such vehicle. Tenant shall use the parking areas for vehicle parking only, and shall not use the parking areas for storage.

Landlord's initials

Tenant's initials

LEASE AGREEMENT

THIS LEASE, made this _____ day of November , 1994 between CHARLESTON PROPERTIES, a California General Partnership, hereinafter called Landlord and INTUIT, INC. a Delaware Corporation, hereinafter called Tenant.

WITNESSETH:

Landlord hereby leases to Tenant and Tenant hereby hires and takes from Landlord those certain premises (the "Premises") outlined in red on Exhibit "A", attached hereto and incorporated herein by this reference thereto more particularly described as follows:

The entire two story building comprising 42,632 gross square feet of space located in Mountain View, Santa Clara County, California and further identified at the following address: 2550 Garcia. The building leased hereunder shall be known between Landlord and Tenant as Building One.

As used herein the Complex shall mean and include all of the land outlined in red and described in Exhibit "B", attached hereto, and all of the buildings, improvements, fixtures and equipment now or hereafter situated on said land. The Complex of which the premises form a part shall further be known as Complex 2.

Said letting and hiring is upon and subject to the terms, covenants and conditions hereinafter set forth and Tenant covenants as a material part of the consideration for this Lease to perform and observe each and all of said terms, covenants and conditions. This Lease is made upon the conditions of such performance and observance.

1. USE Tenant shall use the Premises only in conformance with applicable governmental laws, regulations, rules and ordinances for the purpose of Office, Sales, R&D and related uses necessary for Tenant to conduct its business, provided such uses are permitted and conform to City zoning laws and all other governmental laws, regulations, rules and ordinances and for no other purpose. Tenant shall not do or permit to be done in or about the Premises or the Complex nor bring or keep or permit to be brought or kept in or about the Premises or the Complex anything which is prohibited by or will in any way increase the existing rate of (or otherwise affect) fire or any insurance covering the Complex or any part thereof, or any of its contents, or will cause a cancellation of any insurance covering the Complex or any part thereof, or any of its contents. Tenant shall not do or permit to be done anything in, on or about the Premises or the Complex which will in any way obstruct or interfere with the rights of other tenants or occupants of the Complex or injure or annoy them, or use or allow the Premises to be used for any improper, immoral, unlawful or objectionable purpose, nor shall Tenant cause, maintain or permit any nuisance in, on or about the Premises or the Complex. No sale by auction shall be permitted on the Premises. Tenant shall not place any loads upon the floors, walls, or ceiling, which endanger the structure, or place any harmful fluids or other materials in the drainage system of the building, or overload existing electrical or other mechanical systems. No waste materials or refuse shall be dumped upon or permitted to remain upon any part of the Premises or outside of the building in which the Premises are a part, except in trash containers placed inside exterior enclosures designated by Landlord for that purpose or inside of the building proper where designated by Landlord. No materials, supplies, equipment, finished products or semi-finished products, raw materials or articles of any nature shall be stored upon or permitted to remain outside the Premises or on any portion of common area of the Complex. No loudspeaker or other device, system or apparatus which can be heard outside the Premises shall be used in or at the Premises without the prior written consent of Landlord. Tenant shall not commit or suffer to be committed any waste in or upon the Premises. Tenant shall indemnify, defend and hold Landlord harmless against any loss, expense, damage, attorneys' fees, or liability arising out of failure of Tenant to comply with any applicable law where compliance is Tenant's obligation hereunder. Tenant shall comply with any covenant, condition, or restriction ("CC&R's") affecting the Premises. The provisions of this paragraph are for the benefit of Landlord only and shall not be construed to be for the benefit of any tenant or occupant of the Complex.

2. TERM

A. The term of this Lease shall be for a period of Eight years (8) years (unless sooner terminated as hereinafter provided) and, subject to Paragraphs 2(B) and 3, shall commence on the 1st day of January 1997, and end on the 31st day of December, 2004.

B. Possession of the Premises shall be deemed tendered and the term of this Lease shall commence when the first of the following occurs:
Ninety days after the date Landlord offers Tenant possession of the Premises

for the commencement of construction of Tenant Improvements (if any)

(2) Upon the occupancy of the Premises by any of Tenant's operating personnel; or

(3) N/A

(This paragraph 2 is continued on page 10 below)

3. POSSESSION If Landlord, for any reason whatsoever, cannot offer possession of said Premises to Tenant at the commencement of the said term, as hereinbefore specified, this Lease shall not be void or voidable; no obligation of Tenant shall be affected thereby; nor shall Landlord or Landlord's agents be liable to Tenant for any loss or damage resulting therefrom (subject to the provisions of paragraph 2.B.(1) on page 10 below), but in that event the commencement and termination dates of the Lease, and all other dates affected thereby shall be revised to conform to the date of Landlord's delivery of possession, as specified in Paragraph 2(b), above. The above is, however, subject to the provision that the period of delay of delivery of the Premises shall not exceed 90 days from the commencement date herein (except those delays caused by Acts of God, strikes, war, utilities, governmental bodies, weather, unavailable materials, and delays beyond Landlord's control shall be excluded in calculating such period) in which instance Tenant, at its option, may, by written notice to Landlord, terminate this Lease.

Notwithstanding anything herein to the contrary, if Landlord has not offered possession to Tenant of the Premises by February 1, 1997 then Tenant may cancel this Lease.

4. RENT

A. Basic Rent. Tenant agrees to pay to Landlord at such place as Landlord may designate without deduction, offset, prior notice, or demand, and Landlord agrees to accept as Basic Rent for the leased Premises the total sum of Six Million, Four Hundred Forty Five Thousand Nine Hundred Fifty Eight and 40/100. (\$6,445,958.40) Dollars in lawful money of the United States of America, payable as follows:

B. Time for Payment. In the event that the term of this Lease commences on a date other than the first day of a calendar month, on the date of commencement of the term hereof Tenant shall pay to Landlord as rent for the period from such date of commencement to the first day of the next succeeding calendar month that proportion of the monthly rent hereunder which the number of days between such date of commencement and the first day of the next succeeding calendar month bears to thirty (30). In the event that the term of this Lease for any reason ends on a date other than the last day of a calendar month, on the first day of the last calendar month of the term hereof Tenant shall pay to Landlord as rent for the period from said first day of said last calendar month to and including the last day of the term hereof that proportion of the monthly rent hereunder which the number of days between said first day of said last calendar month and the last day of the term hereof bears to thirty (30).

C. Late Charge. Notwithstanding any other provision of this Lease, if Tenant is in default in the payment of rent as set forth in this Paragraph 4 when due, or any part thereof, Tenant agrees to pay Landlord, in addition to the delinquent rental due, a late charge for each rental payment in default ten (10) days. Said late charge shall equal ten (10%) percent of each rental payment so in default. Landlord shall not assess a late charge after such 10 day period unless Landlord thereafter notifies Tenant by telephone or fax that Tenant's rental is delinquent and said rental remains delinquent for 48 hours after said notice to Tenant.

D. Additional Rent. Beginning with the commencement date of the term of this Lease, Tenant shall pay to Landlord in addition to the Basic Rent and as Additional Rent the following:

- (1) Tenant's proportionate share of all utilities relating to the Complex as set forth in Paragraph 11, and
- (2) Tenant's proportionate share of all Taxes relating to the Complex as set forth in Paragraph 12, and
- (3) Tenant's proportionate share of all insurance premiums relating to the Complex, as set forth in Paragraph 15, and
- (4) Tenant's proportionate share of expenses for the operation, management, maintenance and repair of the Building (including common areas of the Building) and Common Areas of the Complex in which the Premises are located as set forth in Paragraph 7, and
- (5) All charges, costs and expenses, which Tenant is required to pay hereunder, together with all interest and penalties, costs and expenses including attorneys' fees and legal expenses, that may accrue thereto in the event of Tenant's failure to

pay such amounts, and all damages, reasonable costs and expenses which Landlord may incur by reason of default of Tenant or failure on Tenant's part to comply with the terms of this Lease. In the event of nonpayment by Tenant of Additional Rent, Landlord shall have all the rights and remedies with respect thereto as Landlord has for nonpayment of rent.

Tenant shall pay to Landlord monthly, in advance, Tenant's prorata share of an amount estimated by Landlord to be Landlord's approximate average monthly expenditure for such Additional Rent items, which estimated amount shall be reconciled within 120 days of the end of each calendar year as compared to Landlord's actual expenditure for said Additional Rent items, with Tenant paying to Landlord, upon demand, any amount of actual expenses expended by Landlord in excess of said estimated amount, or Landlord refunding to Tenant (providing Tenant is not in default in the performance of any of the terms, covenants and conditions of this Lease) any amount of estimated payments made by Tenant in excess of Landlord's actual expenditures for said Additional Rent items. Landlord shall provide Tenant reasonably adequate supportive documentation to the reconciliation. Tenant's payment for such Additional Rent as of the commencement of the term of this lease shall be Six Thousand Six Hundred and 00/000 (\$6,600.00) Dollars per month. Any payments required to be made by Tenant for Additional Rent shall be made by check or instrument separate from that check or instrument used by Tenant to make any payments for Basic Rent, pursuant to paragraph 4 A.

The respective obligations of Landlord and Tenant under this paragraph shall survive the expiration or other termination of the term of this Lease, and if the term hereof shall expire or shall otherwise terminate on a day other than the last day of a calendar year, the actual Additional Rent incurred for the calendar year in which the term hereof expires or otherwise terminates shall be determined and settled on the basis of the statement of actual Additional Rent for such calendar year and shall be prorated in the proportion which the number of days in such calendar year preceding such expiration or termination bears to 365.

E. Place of Payment of Rent and Additional Rent. All Basic Rent hereunder and all payments hereunder for Additional Rent shall be paid to Landlord at the office of Landlord at 3201 Ash Street, Palo Alto, CA 94306 or to such other person or to such other place as Landlord may from time to time designate in writing.

F. Security Deposit. Concurrently with Tenant's execution of this Lease, Tenant shall deposit with Landlord the sum of Seventy Five Thousand and 00/100 (\$75,000.00) Dollars. Said sum shall be held by Landlord as a Security Deposit for faithful performance by Tenant of all of the terms, covenants, and conditions of this Lease to be kept and performed by Tenant during the term hereof. If Tenant defaults with respect to any provision of this Lease, including, but not limited to, the provisions relating to the payment of rent and any of the monetary sums due herewith, Landlord may (but shall not be required to) use, apply or retain all or any part of this Security Deposit for the payment of any other amount which Landlord may spend by reason of Tenant's default or to compensate Landlord for any other loss or damage which Landlord may suffer by reason of Tenant's default. If any portion of said Deposit is so used or applied, Tenant shall, within ten (10) days after written demand therefor, deposit cash with Landlord in the amount sufficient to restore the Security Deposit to its original amount. Tenant's failure to do so shall be a material breach of this Lease. Landlord shall not be required to keep this Security Deposit separate from its general funds, and Tenant shall not be entitled to interest on such Deposit. If Tenant fully and faithfully performs every provision of this Lease to be performed by it, the Security Deposit or any balance thereof shall be returned to Tenant (or at Landlord's option, to the last assignee of Tenant's interest hereunder) at the expiration of the Lease term and after Tenant has vacated the Premises. In the event of termination of Landlord's interest in this Lease, Landlord shall transfer said Deposit to Landlord's successor in interest whereupon Tenant agrees to release Landlord from liability for the return of such Deposit or the accounting therefor.

(Paragraph 4F is continued below)

5. RULES AND REGULATIONS AND COMMON AREA. Subject to the terms and conditions of this Lease and such Rules and Regulations as Landlord may from time to time prescribe, Tenant and Tenant's employees, invitees and customers shall, in common with other occupants of the Complex in which the Premises are located, and their respective employees, invitees and customers, and others entitled to the use thereof, have the non-exclusive right to use the access roads, parking areas, and facilities provided and designated by Landlord for the general use and convenience of the occupants of the Complex in which the Premises are located, which areas and facilities are referred to herein as "Common Area." This right shall terminate upon the termination of this Lease. Landlord reserves the right from time to time to make reasonable changes in the shape, size, location, amount and extent of Common Area. All such changes shall not unreasonably affect Tenant's access or use of the Premises and shall not diminish Tenant's parking rights. Landlord further reserves the right to promulgate such reasonable rules and regulations relating to the use of the Common Area, and any part of parts thereof, as Landlord may deem appropriate for

the best interests of the occupants of the Complex. The Rules and Regulations shall be binding upon Tenant upon delivery of a copy of them to Tenant, and Tenant shall abide by them and cooperate in their observance. Such Rules and Regulations may be reasonably amended by Landlord from time to time, with or without advance notice, and all amendments shall be effective upon delivery of a copy to Tenant. Landlord shall not be responsible to Tenant for the non-performance by any other tenant or occupant of the Complex of any of said Rules and Regulations.

Landlord shall operate, manage and maintain the Common Area. The Common Area shall be maintained in a first class manner and the expenditures for such maintenance shall be at the discretion of Landlord.

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6. PARKING. Landlord hereby acknowledges that Tenant shall have the right to restripe parking lots at Tenant's own expense (provided Tenant is the only occupant of a Complex to be restriped). Any restriping shall be in compliance with all applicable codes and regulations and Landlord shall cooperate with Tenant in this effort. Tenant shall have the right to use with other tenants or occupants of the Complex its proportionate share of parking spaces in the common parking areas of the Complex. Tenant agrees that Tenant, Tenant's employees, agents, representatives and/or invitees shall not use parking spaces outside of the Complex parking allocated to Tenant hereunder. Landlord shall have the right, at Landlord's sole discretion, to specifically designate the location of Tenant's parking spaces within the common parking areas of the Complex in the event of a dispute among the tenants occupying the building and/or Complex referred to herein, in which event Tenant agrees that Tenant, Tenant's employees, agents, representatives and/or invitees shall not use any parking spaces other than those parking spaces specifically designated by Landlord for Tenant's use. Said parking spaces, if specifically designated by Landlord to Tenant, may be relocated by Landlord at any time, and from time to time. Landlord reserves the right, at Landlord's sole discretion, to rescind any specific designation of parking spaces, thereby returning Tenant's parking spaces to the common parking area. Landlord shall give Tenant written notice of any change in Tenant's parking spaces. Tenant shall not, at any time, park, or permit to be parked, any trucks or vehicles adjacent to the loading areas so as to interfere in any way with the use of such areas, nor shall Tenant at any time park, or permit the parking of Tenant's trucks or other vehicles or the trucks and vehicles of Tenant's suppliers or others, in any portion of the common area not designated by Landlord for such use by Tenant. Tenant shall not park nor permit to be parked, any inoperative vehicles or equipment on any portion of the common parking area or other common areas of the Complex. Tenant agrees to assume responsibility for compliance by its employees with the parking provision contained herein. If Tenant or its employees park in other than such designated parking areas, then Landlord may charge Tenant, as an additional charge, and Tenant agrees to pay, ten (\$10.00) Dollars per day for each day or partial day each such vehicle is parked in any area other than that designated. Tenant hereby authorizes Landlord at Tenant's sole expense to tow away from the Complex any vehicle belonging to Tenant or Tenant's employees parked in violation of these provisions, or to attach violation stickers or notices to such vehicles. Tenant shall use the parking areas for vehicle parking only, and shall not use the parking areas for storage.

7. EXPRESS OF OPERATION, MANAGEMENT AND MAINTENANCE OF THE COMMON AREAS OF THE COMPLEX, PREMISES AND BUILDING IN WHICH THE PREMISES ARE LOCATED. As Additional Rent and in accordance with Paragraph 4D of this Lease, Tenant shall pay to Landlord Tenant's proportionate share (calculated on a square footage or other equitable basis as calculated by Landlord) of all expenses of operation, management, maintenance and repair of the Common Areas of the Complex including, but not limited to, license, permit and inspection fees; security; utility charges associated with exterior landscaping and lighting (including water and sewer charges); all charges incurred in the maintenance of landscaped areas, lakes, parking lots, sidewalks, driveways; maintenance, repair and replacement of all fixtures and electrical, mechanical and plumbing systems; structural elements and exterior surfaces of the building; salaries and employee benefits of personnel and payroll taxes applicable thereto; supplies, materials, equipment and tools; the cost of capital expenditures which have the effect of reducing operating expenses, provided, however, that in the event Landlord makes such capital improvements, Landlord may amortize its investment in said improvements (together with interest at the rate of fifteen (15%) percent per annum on the unamortized balance) as an operating expense in accordance with standard accounting practices, provided, that such amortization is not at a greater than the anticipated savings in the operating expenses.

As additional Rent and in accordance with paragraph 4D of this Lease, Tenant shall pay its proportionate share (calculated on a square footage or other equitable basis as calculated by Landlord) of the cost of operation (including common utilities), management, maintenance and repair of the Premises and the building (including common areas such as lobbies, restrooms, janitor's closets, hallways, elevators, mechanical and telephone rooms, stairwells, entrances, spaces above the ceilings) in which the Premises are located. The maintenance items herein referred to include, but are not limited to, electrical systems (such as outlets, lighting fixtures, lamps, bulbs, tubes, ballasts), heating and airconditioning controls (such as mixing boxes,

thermostats, time clocks, supply and return grills), all interior improvements within the Premises including but not limited to: wall coverings, window coverings, acoustical ceilings, vinyl tile, carpeting, partitioning, doors (both interior and exterior, including closing mechanisms, latches, locks), and all other interior improvements of any nature whatsoever, all windows, window frames, plate glass, glazing, truck doors, main plumbing systems of the building (such as water and drain lines, sinks, toilets, faucets, drains, showers and water fountains), main electrical systems (such as panels and conduits), heating and airconditioning systems (such as compressors, fans, air handlers, ducts, boilers, heaters), store fronts, roofs, downspouts, building common area interiors (such as wall coverings, window coverings, floor coverings and partitioning), ceilings, building exterior doors, skylights (if any), automatic fire extinguishing systems and elevators; license, permit, and inspection fees; security; salaries and employee benefits of personnel and payroll taxes applicable thereto; supplies, materials, equipment and tools; the cost of capital expenditures which have the effect of reducing operating expenses, provided, however, that in the event Landlord makes such capital improvements, Landlord may amortize its investment in said improvements (together with interest at the rate of fifteen (15%) percent per annum on the unamortized balance) as an operating expense in accordance with standard accounting practices, provided, that such amortization is not at a rate greater than the anticipated savings in the operating expenses. Tenant hereby waives all rights under, and benefits of, subsection 1 of Section 1932 and Sections 1941 and 1942 of the California Civil code and under any similar law, statute or ordinance now or hereafter in effect. Tenant agrees to provide carpet shields under all rolling chairs or to otherwise be responsible for wear and tear of the carpet caused by such rolling chairs if such wear and tear exceeds that caused by normal foot traffic in surrounding areas. Areas of excessive wear shall be replaced at Tenant's sole expense upon Lease termination.

"Additional Rent" as used herein shall not include Landlord's debt repayments; interest on charges; expenses directly or indirectly incurred by Landlord for the benefit of any other tenant; cost for the installation of partitioning or any other tenant improvements; cost of attracting tenants; depreciation; interest, or executive salaries.

Tenant agrees to contract and pay directly for five-day janitorial service for the leased Premises and Landlord agrees to maintain the Complex in a first-class manner.

8. ACCEPTANCE AND SURRENDER OF PREMISES. By entry hereunder, Tenant accepts the Premises as being in good and sanitary order, condition and repair and accepts the building and improvements included in the Premises in their present condition and without representation or warranty by Landlord as to the condition of such building or as to the use or occupancy which may be made thereof except as otherwise provided herein. Any exceptions to the foregoing must be by written agreement executed by Landlord and Tenant. Tenant agrees on the last day of the Lease term, or on the sooner termination of this Lease, to surrender the Premises promptly and peaceably to Landlord in good condition and repair (damage by Acts of God, fire or normal wear and tear excepted), with all interior walls painted, or cleaned so that they appear freshly painted, and repaired and replaced, if damaged; all floors cleaned and waxed; all carpets cleaned and shampooed; the airconditioning and heating equipment serviced by a reputable and licensed service firm and in good operating condition (provided the maintenance of such equipment has been Tenant's responsibility during the term of this Lease) together with all alterations, additions and improvements which may have been made in, to, or on the Premises (except movable trade fixtures installed at the expense of Tenant) except that subject to paragraph 9 of this Lease Landlord shall notify Tenant at the same time as Landlord provides its consent to such alterations, additions or improvements which exceed \$15,000 in construction costs whether Landlord desires to have the Premises or any part or parts thereof restored to their condition and configuration as when the Premises existed prior to such alteration, addition, or improvement and if Landlord shall so desire, then Tenant shall restore said Premises or such part or parts thereof before the end of this Lease at Tenant's sole cost and expense. Tenant, on or before the end of the term or sooner termination of this Lease, shall remove all of Tenant's personal property and trade fixtures from the Premises, and all property not so removed on or before the end of the term or sooner termination of this Lease shall be deemed abandoned by Tenant and title to same shall thereupon pass to Landlord without compensation to Tenant. Landlord may, upon termination of this Lease, remove all moveable furniture and equipment so abandoned by Tenant, at Tenant's sole cost, and repair any damage caused by such removal at Tenant's sole cost. If the Premises be not surrendered at the end of the term or sooner termination of this Lease, Tenant shall indemnify Landlord against loss or liability resulting from the delay by Tenant in so surrendering the Premises including, without limitation, any claims made by any succeeding tenant founded on such delay. Nothing contained herein shall be construed as an extension of the term hereof or as a consent of Landlord to any holding over by Tenant. The voluntary or other surrender of this Lease or the Premises by Tenant or a mutual cancellation of this Lease shall not work as a merger and, at the option of Landlord, shall either terminate all or any existing subleases or subtenancies or operate as an assignment to Landlord of all or any such subleases or subtenancies.

(See paragraph 50 below)

9. ALTERATIONS AND ADDITIONS. Tenant shall not make, or suffer to be made, any alteration or addition to the Premises, or any part thereof, without the written consent of Landlord first had and obtained by Tenant, but at the cost of Tenant, and any addition to, or alteration of, the Premises, except moveable furniture and trade fixtures, shall at once become a part of the Premises and belong to Landlord. If Landlord consents to the making of any alteration, addition, or improvement to or of the Premises by Tenant, the same shall be made at Tenant's sole cost and expense. Any modifications to the building or building systems required by governmental code or otherwise as a result of Tenant's alterations, additions or improvements shall be made at Tenant's sole cost and expense. Tenant shall retain title to all moveable furniture and trade fixtures placed in the Premises. All heating, lighting, electrical, airconditioning, partitioning, drapery, carpeting and floor installations made by Tenant, together with all property that has become an integral part of the Premises, shall not be deemed trade fixtures. Tenant agrees that it will not proceed to make any alterations or additions, without having obtained consent from Landlord to do so, and until five (5) days from the receipt of such consent, in order that Landlord may post appropriate notices to avoid any liability to contractors or material suppliers for payment for Tenant's improvements, Tenant will at all times permit such notices to be posted and to remain posted until the completion of work. Tenant shall, if required by Landlord, secure at Tenant's own cost and expense, a completion and lien indemnity bond reasonably satisfactory to Landlord, for such work in excess of \$100,000. Tenant further covenants and agrees that any mechanic's lien filed against the Premises or against the Complex for work claimed to have been done for, or materials claimed to have been furnished to Tenant, will be discharged by Tenant, by bond or otherwise, within ten (10) days after the filing thereof, at the cost and expense of Tenant. Any exceptions to the foregoing must be made in writing and executed by both Landlord and Tenant.

(Paragraph 9 is continued on page 12 below)

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(Paragraph 11 is continued on page 13 below)

12. TAXES A. As Additional Rent and in accordance with Paragraph 4D of this Lease, Tenant shall pay to Landlord Tenant's proportionate share of all Real Property Taxes, which prorata share shall be allocated to the leased Premises by square footage or other equitable basis, as calculated by Landlord. The term "Real Property Taxes", as used herein, shall mean (i) all taxes, assessments, levies and other charges of any kind or nature whatsoever, general and special, foreseen and unforeseen (including all installments of principal and interest required to pay any general or special assessments for public improvements and any increases resulting from reassessments caused by any change in ownership of the Complex) now or hereafter imposed by any governmental or quasi-governmental authority or special district having the direct or indirect power to tax or levy assessments, which are levied or assessed against, or with respect to the value, occupancy or use of, all or any portion of the Complex (as now constructed or as may at any time hereafter be constructed, altered, or otherwise changed) or Landlord's interest therein; any improvements located within the Complex (regardless of ownership); the fixtures, equipment and other property of Landlord, real or personal, that are an integral part of and located in the Complex; or parking areas, public utilities, or energy within the Complex; (ii) all charges, levies or fees imposed by reason of environmental regulation or other governmental control of the Complex; and (iii) all costs and fees (including attorneys' fees) incurred by Landlord in contesting any Real Property Tax and negotiating with public authorities as to any Real Property Tax. In the event said contesting results in a refund of Real Property Taxes, Tenant shall be credited with the appropriate proportionate share of said refund reflecting Tenant's period of occupancy. If at any time during the term of this Lease the taxation or assessment of the Complex prevailing as of the commencement date of this Lease shall be altered so that in lieu of or in addition to any Real Property Tax described above there shall be levied, assessed or imposed (whether by reason of a change in the method of taxation or assessment, creation of a new tax or charge, or any other cause) an alternate or additional tax or charge (i) on the value, use or occupancy of the Complex or Landlord's interest therein or (ii) on or measured by the gross receipts, income or rentals from the Complex, on Landlord's business of leasing the Complex, or computed in any manner with respect to the operation of the Complex, then any such tax or charge, however designated, shall be included within the meaning of the term "Real Property Taxes" for purposes of this Lease. If any Real Property Tax is based upon property or rents unrelated to the Complex, then only that part of such Real Property Tax that is fairly allocable to the Complex shall be included within the meaning of the term "Real Property Taxes". Notwithstanding the foregoing, the term "Real Property Taxes" shall not include estate, inheritance, gift or franchise taxes of Landlord or the federal or state net income tax imposed on Landlord's income from all sources.

B. Taxes on Tenant's Property

(1) Tenant shall be liable for and shall pay ten days before delinquency, taxes

levied against any personal property or trade fixtures placed by Tenant in or about the Premises. If any such taxes on Tenant's personal property or trade fixtures are levied against Landlord or Landlord's property or if the assessed value of the Premises is increased by the inclusion therein of a value placed upon such personal property or trade fixtures of Tenant and if Landlord, after written notice to Tenant, pays the taxes based on such increased assessment, which Landlord shall have the right to do regardless of the validity thereof, but only under proper protest if requested by Tenant, Tenant shall upon demand, as the case may be, repay to Landlord the taxes so levied against Landlord, or the proportion of such taxes resulting from such increase in the assessment; provided that in any such event Tenant shall have the right, in the name of Landlord and with Landlord's full cooperation, to bring suit in any court of competent jurisdiction to recover the amount of any such taxes so paid under protest, and any amount so recovered shall belong to Tenant.

(2) If the Tenant improvements in the Premises, whether installed, and/or paid for by Landlord or Tenant and whether or not affixed to the real property so as to become a part thereof, are assessed for Real Property Tax purposes at a valuation higher than the valuation at which standard office improvements in other space in the Complex are assessed, then the Real Property Taxes and assessments levied against Landlord or the Complex by reason of such excess assessed valuation shall be deemed to be taxes levied against personal property of Tenant and shall be governed by the provisions of 12A(i), above. If the records of the County Assessor are available and sufficiently detailed to serve as a basis for determining whether said Tenant improvements are assessed at a higher valuation than standard office improvements in other spaces in the Complex, such records shall be binding on both the Landlord and the Tenant. If the records of the County Assessor are not available or sufficiently detailed to serve as a basis for making said determination, the actual cost of construction shall be used.

13. LIABILITY INSURANCE Tenant, at Tenant's expense, agrees to keep in force during the term of this Lease a policy of comprehensive public liability insurance with limits in the amount of \$1,000,000/1,000,000 for injuries to or death of persons occurring in on or about the Premises or the Complex, and property damage insurance with limits of \$500,000. The policy or policies affecting such insurance, certificates of which shall be furnished to Landlord, shall name Landlord as additional insureds, and shall insure any liability of Landlord, contingent or otherwise, as respects acts or omissions of Tenant, its agents, employees or invitees or otherwise by any conduct or transactions of any of said persons in or about or concerning the Premises, including any failure of Tenant to observe or perform any of its obligations hereunder; shall be issued by an insurance company admitted to transact business in the State of California; and shall provide that the insurance effected thereby shall not be canceled, except upon thirty (30) days' prior written notice to Landlord. If, during the term of this Lease, in the reasonable opinion of Landlord's Lender, insurance advisor or counsel, the amount of insurance described in this paragraph 13 is not adequate, Tenant agrees to increase said coverage to such reasonable amount as Landlord's Lender, insurance advisor or counsel shall deem adequate. Landlord shall carry a reasonable amount of liability insurance.

14. TENANT'S PERSONAL PROPERTY INSURANCE AND WORKER'S COMPENSATION INSURANCE Tenant shall maintain a policy or policies of fire and property damage insurance in "all risk" form with a sprinkler leakage endorsement insuring the personal property, inventory, trade fixtures and leasehold improvements within the leased Premises for the full replacement value thereof. The proceeds from any of such policies shall be used for the repair or replacement of such items so insured.

Tenant shall also maintain a policy or policies of worker's compensation insurance and any other employee benefit insurance sufficient to comply with all laws.

15. PROPERTY INSURANCE Landlord shall purchase and keep in force and, as Additional Rent and in accordance with Paragraph 4D of this Lease, Tenant shall pay to Landlord Tenant's proportionate share (calculated on a square footage or other equitable basis as calculated by Landlord) of the cost of policy or policies of insurance covering loss or damage to the Premises and Complex in the amount of the full replacement value thereof, providing protection against those perils included within the classification of "all risks" insurance and flood and/or earthquake insurance, if available, plus a liability policy and a policy of rental income insurance in the amount of one hundred (100%) percent of twelve (12) months Basic Rent, plus sums paid as Additional Rent. If such insurance cost is increased due to Tenant's use of the Premises or the Complex, Tenant agrees to pay to Landlord the full cost of such increase. Tenant shall have no interest in nor any right to the proceeds of any insurance procured by Landlord for the Complex.

Landlord and Tenant do each hereby respectively release the other, to the extent of insurance coverage of the releasing party, from any liability for loss or damage caused by fire or any of the extended coverage casualties included in the releasing party's insurance policies, irrespective of the cause of such fire or casualty; provided, however, that if the insurance policy of either releasing party prohibits such waiver, then this waiver shall not take effect until consent to such waiver is obtained. If such waiver is so

prohibited, the insured party affected shall promptly notify the other party thereof.

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16. INDEMNIFICATION Landlord shall not be liable to Tenant and Tenant hereby waives all claims against Landlord for any injury to or death of any person or damage to or destruction of property in or about the Premises or the Complex by or from any cause whatsoever, including, without limitation, gas, fire, oil, electricity or leakage of any character from the roof, walls, basement or other portion of the Premises or the Complex but excluding, however, the negligence or willful misconduct of Landlord, its agents, servants, employees, invitees, or contractors of which negligence Landlord has knowledge and reasonable time to correct, the requirements of knowledge and reasonable time to correct, shall not apply to direct negligent acts by Landlord or Landlord's agents, servants, employees, Invitees or contractors. Except as to injury to persons or damage to property the principal cause of which is the negligence or willful misconduct of Landlord, its agents, servants, employees, invitees or contractors Tenant shall hold Landlord harmless from and defend Landlord against any and all expenses, including reasonable attorneys' fees, in connection therewith, arising out of any injury to or death of any person or damage to or destruction of property occurring in, on or about the Premises, or any part thereof, from any cause whatsoever.

17. COMPLIANCE Tenant at its sole cost and expense, shall promptly comply with all laws, statutes, ordinances and governmental rules, regulations or requirements now or hereafter in effect; with the requirements of any board of fire underwriters or other similar body now or hereafter constituted; and with any direction or occupancy certificate issued pursuant to law by any public officer; provided, however, however, that no such failure shall be deemed a breach of the provisions if Tenant, immediately upon notification, commences to remedy or rectify said failure. The judgment of any court of competent jurisdiction or the admission of Tenant in any action against Tenant, whether Landlord be a party thereto or not, that Tenant has violated any such law, statute, ordinance or governmental rule, regulation, requirement, direction or provision, shall be conclusive of that fact as between Landlord and Tenant. This paragraph shall not be interpreted as requiring Tenant to make structural changes or improvements, except to the extent such changes or improvements are required as a result of Tenant's use of the Premises. Tenant shall, at its sole cost and expense, comply with any and all requirements pertaining to said Premises, of any insurance organization or company, necessary for the maintenance of reasonable fire and public liability insurance covering the Premises.

(SEE PARAGRAPH 48)

18. LIENS Tenant shall keep the Premises and the Complex free from any liens arising out of any work performed, materials furnished or obligation incurred by Tenant. In the event that Tenant shall not, within ten (10) days following the imposition of such lien, cause the same to be released of record, Landlord shall have, in addition to all other remedies provided herein and by law, the right, but no obligation, to cause the same to be released by such means as it shall deem proper including payment of the claim giving rise to such lien. All sums paid by Landlord for such purpose, and all expenses incurred by it in connection therewith, shall be payable to Landlord by Tenant on demand with interest at the prime rate of interest as quoted by the Bank of America.

19. ASSIGNMENT AND SUBLETTING. Tenant shall not assign, transfer or hypothecate the leasehold estate under this Lease, or any interest therein, and shall not sublet the Premises, or any part thereof, or any right or privilege appurtenant thereto, or suffer any other person or entity to occupy or use the Premises or any portion thereof, without, in each case, the prior written consent of Landlord which consent will not be unreasonably withheld. Tenant agrees to pay to Landlord, as additional rent, fees of all rents (after tenant deducts all costs of subleasing) or additional consideration received by Tenant from its assignees, transferees or subtenants in excess of the rent payable by Tenant to Landlord hereunder. Tenant shall by thirty days' (30) written notice, advise Landlord of its intent to assign or transfer Tenant's interest in the Lease or sublet the Premises or any portion thereof for any part of the term hereof. In the event Tenant is allowed to assign, transfer or sublet the whole or any part of the Premises, with the prior written consent of Landlord, no assignee, transferee or subtenant shall assign or transfer this Lease, either in whole or in part, or sublet the whole or any part of the Premises, without also having obtained the prior written consent of Landlord. A consent of Landlord to one assignment, transfer, hypothecation, subletting, occupation or use by any other person shall not release Tenant from any of Tenant's obligations hereunder or be deemed to be a consent to any subsequent similar or dissimilar assignment, transfer, hypothecation, subletting, occupation or use by any other person. Any such assignment, transfer, hypothecation, subletting, occupation or use without such consent shall be void and shall constitute a breach of this Lease by Tenant and shall, at the option of Landlord exercised by written notice to Tenant, terminate this Lease. The leasehold estate under this Lease shall not, nor shall any interest therein, be assignable for any purpose by operation of

law without the written consent of Landlord. As a condition to its consent, Landlord may require Tenant to pay all reasonable expenses in connection with the assignment, and Landlord may require Tenant's assignee or transferee (or other assignees or transferees) to assume in writing, all of the obligations under this Lease and for Tenant to remain liable to Landlord under the Lease.

20. SUBORDINATION AND MORTGAGES In the event Landlord's title or leasehold interest is now or hereafter encumbered by a deed of trust, upon the interest of Landlord in the land and buildings in which the demised Premises are located, to secure a loan from a lender (hereinafter referred to as "Lender") to landlord, Tenant shall, at the request of Landlord or Lender, execute in writing an agreement subordinating its rights under this Lease to the lien of such deed of trust, or, if so requested, agreeing that the lien of Lender's deed of trust shall be or remain subject and subordinate to the rights of Tenant under this Lease. Tenant hereby irrevocably appoints Landlord the attorney in fact of Tenant to execute, deliver and record any such instrument or instruments for and in the name and on behalf of Tenant. Notwithstanding any such subordination, Tenant's possession under this Lease shall not be disturbed if Tenant is not in default and so long as Tenant shall pay all rent and observe and perform all of the provisions set forth in this Lease and any such subordination agreement shall so reflect. Tenant agrees to send to any mortgagees and/or deed of trust holders, by registered mail, a copy of any notice of default served by Tenant upon the Landlord, provided that prior to such notice, Tenant has been notified, in writing (by way of notice of assignment of rents or otherwise) of the addresses of such mortgagees and/or deed of trust holders. Tenant further agrees that if Landlord shall have failed to cure such default within the time provided for in this Lease, any such mortgagees and/or deed of trust holders shall have an additional thirty (30) days within which to cure such default, or if such default is not reasonably susceptible of cure within that time, then such additional time as may be reasonably necessary if within such (30) days, any mortgagee and/or deed of trust holder has commenced and is diligently pursuing the remedies necessary to cure such default, (including but not limited to commencement of foreclosure proceedings), in which event this Lease shall not be terminated when such remedies are being diligently pursued. (SEE PARAGRAPH 52 BELOW)

21. ENTRY BY LANDLORD Landlord reserves, and shall during normal business hours, have, the right to enter the Premises to inspect them; to perform any services to be provided by Landlord hereunder; to submit the Premises to prospective purchasers, mortgagors or tenants; to post notices of nonresponsibility; and to alter, improve or repair the Premises and any portion of the Complex, all without abatements of rent; and may erect scaffolding and other necessary structures in or through the Premises where reasonably required by the character of the work to be performed; provided, however, that the business of Tenant shall be interfered with to the least extent that is reasonably practical. For each of the foregoing purposes, Landlord shall at all times have and retain a key with which to unlock all of the doors in an emergency in order to obtain entry to the Premises, and any entry to the Premises obtained by Landlord by any of said means, or otherwise, shall not under any circumstances be construed or deemed to be a forcible or unlawful entry into or a detainer of the Premises or an eviction, actual or constructive, of Tenant from the Premises or any portion thereof. Landlord shall also have the right at any time to change the arrangement or location of entrances or passageways, doors and doorways, and corridors, elevators, stairs, toilets or other public parts of the Complex and to change the name, number or designation by which the Complex is commonly known, and none of the foregoing shall be deemed an actual or constructive eviction of Tenant, or shall entitle Tenant to any reduction of rent hereunder, and no such changes shall unreasonably interfere with Tenant's use of or access to the building leased hereunder.

22. BANKRUPTCY AND DEFAULT The commencement of a bankruptcy action or liquidation action or reorganization action or insolvency action or an assignment of or by Tenant for the benefit of creditors, or any similar action undertaken by Tenant, or the insolvency of Tenant, shall, at Landlord's option, constitute a breach of this Lease by Tenant. If the trustee or receiver appointed to serve during a bankruptcy, liquidation, reorganization, insolvency or similar action elects to reject Tenant's unexpired Lease, the trustee or receiver shall notify Landlord in writing of its election within thirty (30) days after an order for relief in a liquidation action or within thirty (30) days after the commencement of any action.

Within thirty (30) days after court approval of the assumption of this Lease, the trustee or receiver shall cure (or provide adequate assurance to the reasonable satisfaction of Landlord that the trustee or receiver shall cure) any and all previous defaults under the unexpired Lease and shall compensate Landlord for all actual pecuniary loss and shall provide adequate assurance of future performance under said Lease to the reasonable satisfaction of Landlord. Adequate assurance of future performance, as used herein, includes, but shall not be limited to: (i) assurance of source and payment of rent, and other consideration due under this Lease; (ii) assurance that the assumption or assignment of this Lease will not breach substantially any provision, such as radius, location, use, or exclusivity provision, in any agreement relating to the above described Premises.

Nothing contained in this section shall affect the existing right of Landlord to refuse to accept an assignment upon commencement of or in connection with a bankruptcy, liquidation, reorganization or insolvency action or an assignment of Tenant for the benefit of creditors or other similar act. Nothing contained in this Lease shall be construed as giving or granting or creating an equity in the demised Premises to Tenant. In no event shall the leasehold estate under this Lease, or any interest therein, be assigned by voluntary bankruptcy proceeding without the prior written consent of Landlord. In no event shall this Lease or any rights or privileges hereunder be an asset of Tenant under any bankruptcy, insolvency or reorganization proceedings.

The failure to perform or honor any covenant, condition or representation made under this Lease shall constitute a default hereunder by Tenant upon expiration of the appropriate grace period hereinafter provided. Tenant shall have a period of five (5) days from the date of written notice from Landlord within which to cure any default in the payment of rental or adjustment thereto. Tenant shall have a period of twenty (20) days from the date of written notice from Landlord within which to commence to cure any other default under this Lease and Tenant shall diligently prosecute the cure to completion. Upon an uncured default of this Lease by Tenant, Landlord shall have the following rights and remedies in addition to any other rights or remedies available to Landlord at law or in equity:

(a) The rights and remedies provided for by California Civil Code Section 1951.2, including but not limited to, recovery of the worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of rental loss for the same period that Tenant proves could be reasonably avoided, as computed pursuant to subsection (b) of said Section 1951.2. Any proof by Tenant under subparagraph (2) and (3) of Section 1951.2 of the California Civil Code of the amount of rental loss that could be reasonably avoided shall be made in the following manner: Landlord and Tenant shall each select a licensed real estate broker in the business of renting property of the same type and use as the Premises and in the same geographic vicinity. Such two real estate brokers shall select a third licensed real estate broker, and the three licensed real estate brokers so selected shall determine the amount of the rental loss that could be reasonably avoided from the balance of the term of this Lease after the time of award. The decision of the majority of said licensed real estate brokers shall be final and binding upon the parties hereto.

(b) The rights and remedies provided by California Civil Code which allows Landlord to continue the Lease in effect and to enforce all of its rights and remedies under this Lease, including the right to recover rent as it becomes due, for so long as Landlord does not terminate Tenant's right to possession; acts of maintenance or preservation, efforts to relet the Premises, or the appointment of a receiver upon Landlord's initiative to protect its interest under this Lease shall not constitute a termination of Tenant's right to possession.

(c) The right to terminate this Lease by giving notice to Tenant in accordance with applicable law.

(d) The right and power, as attorney-in-fact for Tenant, to enter the Premises and remove therefrom all persons and property, to store such property in a public warehouse or elsewhere at the cost of and for the account of Tenant and to sell such property and apply such proceeds therefrom pursuant to applicable California law. Landlord, as attorney-in-fact for Tenant, may from time to time sublet the Premises or any part thereof for such term or terms (which may extend beyond the term of this Lease) and at such rent and such other terms as Landlord in its sole discretion may deem advisable, with the right to make alterations and repairs to the Premises. Upon each subletting, (i) Tenant shall be immediately liable to pay Landlord, in addition to indebtedness other than rent due hereunder, the cost of such subletting, including, but not limited to, reasonable attorneys' fees, and any real estate commissions actually paid, and the cost of such alterations and repairs incurred by Landlord and the amount, if any, by which the rent hereunder for the period of such subletting (to the extent such period does not exceed the term hereof) exceeds the amount to be paid as rent for the Premises for such period or (ii) at the option of Landlord, rents received from such subletting shall be applied first to payment of indebtedness other than rent due hereunder from Tenant to Landlord; second, to the payment of any costs of such subletting and of such alterations and repairs; third to payment of rent due to unpaid hereunder; and the residue, if any, shall be held by Landlord and applied in payment of future rent as the same becomes due hereunder. If Tenant has been credited with any rent to be received by such subletting under option (i) and such rent shall not be promptly paid to Landlord by the subtenant(s), or if such rentals received from such subletting under option (ii) during any month be less than that to be paid during that month by Tenant hereunder, Tenant shall pay any such deficiency to Landlord. Such deficiency shall be calculated and paid monthly. For all purposes set forth in this subparagraph (d), Landlord is hereby irrevocably appointed attorney-in-fact for Tenant, with power of substitution. No taking possession of the Premises by Landlord, as

attorney-in-fact for Tenant, shall be construed as an election on its part to terminate this Lease unless a written notice of such intention be given to Tenant. Notwithstanding any such subletting without termination, Landlord may at any time hereafter elect to terminate this Lease for such previous breach.

(c) The right to have a receiver appointed for Tenant upon application by Landlord, to take possession of the Premises and to apply any rental collected from the Premises and to exercise all other rights and remedies granted to Landlord as attorney-in-fact for Tenant pursuant to subparagraph (d) above.

23. ABANDONMENT Tenant shall not vacate or abandon the Premises at any time during the term of this Lease; and if Tenant shall abandon, vacate or surrender said Premises, or be dispossessed by the process of law, or otherwise, any personal property belonging to Tenant and left on the Premises shall be deemed to be abandoned, at the option of Landlord, except such property as may be mortgaged to Landlord.

24. DESTRUCTION

(Paragraph 24 is continued below)

25 EMINENT DOMAIN If all or any part of the Premises shall be taken by any public or quasi-public authority under the power of eminent domain or conveyance in lieu thereof, this Lease shall terminate as to any portion of the Premises so taken or conveyed on the date when title vests in the condemnor, and Landlord shall be entitled to any and all payment, income, rent, award or any interest therein whatsoever which may be paid or made in connection with such taking or conveyance, and Tenant shall have no claim against Landlord or otherwise for the value of any unexpired term of this Lease. Notwithstanding the foregoing paragraph, any compensation specifically awarded Tenant for loss of business, Tenant's personal property, moving cost or loss of goodwill, shall be and remain the property of Tenant.

If (i) any action or proceeding is commenced for such taking of the Premises or any part thereof, or if Landlord is advised in writing by any entity or body having the right or power of condemnation of is intention to condemn the Premises or any portion thereof, or (ii) any of the foregoing events occur with respect to the taking of any space in the Complex not leased hereby, or if any such spaces so taken or conveyed in lieu of such taking and Landlord shall decide to discontinue the use and operation of the Complex, or decide to demolish, alter or rebuild the Complex, then, in any of such events Landlord shall have the right to terminate this Lease by giving Tenant written notice thereof within sixty (60) days of the date of receipt of said written advice, or commencement of said action or proceeding, or taking conveyance, which termination shall take place as of the first to occur of the last day of the calendar month next following the month in which such notice is given or the date on which title to the Premises shall vest in the condemnor.

In the event of such a partial taking or conveyance of the Premises, if the Premises taken or conveyed is so substantial that the Tenant can no longer reasonably conduct its business, Tenant shall have the privilege of terminating this Lease within sixty (60) days from the date of such taking or conveyance, upon written notice to Landlord of its intention so to do, and upon giving of such notice this Lease shall terminate on the last day of the calendar month next following the month in which such notice is given, upon payment by Tenant of the rent from the date of such taking or conveyance to the date of termination.

If a portion of the Premises be taken by condemnation or conveyance in lieu thereof and neither Landlord nor Tenant shall terminate this Lease as provided herein, this Lease shall continue in full force and effect as to the part of the Premises not so taken or conveyed, and the rent herein shall be apportioned as of the date of such taking or conveyance so that thereafter the rent to be paid by Tenant shall be in the ratio that the area of the portion of the Premises not so taken or conveyed bears to the total area of the Premises prior to such taking.

26. SALE OF CONVEYANCE BY LANDLORD In the event of a sale or conveyance of the Complex or any interest therein, by any owner of the reversion then constituting Landlord, the transferor shall thereby be released from any liability thereafter arising upon any of the terms, covenants or conditions (express or implied) herein contained in favor of Tenant, and in such event, insofar as such transfer is concerned, Tenant agrees to look solely to the responsibility of the successor in interest of such transferor in and to the Complex and this Lease. This Lease shall not be affected by any such sale or conveyance, and Tenant agrees to attorn to the successor in interest of such transferor.

27. ATTORNMENT TO LENDER OR THIRD PARTY In the event the interest of Landlord in the Land and buildings in which the leased Premises are located (whether such interest of Landlord is a fee title interest or a leasehold interest) is encumbered by deed of trust, and such interest is acquired by the lender or any third party through judicial foreclosure or by exercise of a power of sale at private trustee's foreclosure sale, Tenant hereby agrees to attorn to the

purchaser at any such foreclosure sale and to recognize such purchaser as the Landlord under this lease. In the event the lien of the deed of trust securing the loan from a Lender to Landlord is prior and paramount to the lease, this Lease shall nonetheless continue in full force and effect for the remainder of the unexpired term hereof, at the same rental herein reserved and upon all the other terms, conditions and covenants herein contained.

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28. HOLDING OVER Any holding over by Tenant after expiration or other termination of the term of this Lease with the written consent of Landlord delivered to Tenant shall not constitute a renewal or extension of the Lease or give Tenant any rights in or to the leased Premises except as expressly provided in this Lease. Any holding over after the expiration or other termination of the term of this lease, with the consent of Landlord, shall be construed to be a tenancy from month to month, on the same terms and conditions herein specified insofar as applicable except that the monthly Basic Rent shall be increased to an amount equal to one hundred twenty-five (125%) percent of the monthly Basic Rent required during the last month of the Lease term. (Paragraph 28 is continued below)

29. CERTIFICATE OF ESTOPPEL Tenant shall at any time upon not less than ten (10) days' prior written notice from Landlord execute, acknowledge and deliver to Landlord a statement in writing (i) certifying that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this Lease, as so modified, is in full force and effect) and the date to which the rent and other charges are paid in advance, if any, and (ii) acknowledging that there are not, to Tenant's knowledge, any uncured defaults on the part of Landlord hereunder, or specifying such defaults, if any, are claimed. Any such statement may be conclusively relied upon by any prospective purchaser or encumbrancer of the Premises. Tenant's failure to deliver such statement within such time shall be conclusive upon Tenant that this Lease is in full force and effect, without modification except as may be represented by Landlord; that there are no uncured defaults in Landlord's performance, and that not more than one month's rent has been paid in advance. If requested by Tenant, Landlord shall issue Tenant a certificate of Estoppel stating whether or not Tenant is in compliance with the Lease and current on rental payments.

30. CONSTRUCTION CHANGES Landlord does not guarantee the accuracy of any drawings supplied to Tenant and verification of the accuracy of such drawings rests with Tenant.

31. RIGHT OF LANDLORD TO PERFORM All terms, covenants and conditions of this Lease to be performed or observed by Tenant shall be performed or observed by Tenant at Tenant's sole cost and expense and without any reduction of rent. If Tenant shall fail to pay any sum of money, or other rent, required to be paid by it hereunder or shall fail to perform any other term or covenant hereunder on its part to be performed, and such failure shall continue for five (5) days after written notice thereof by Landlord, Landlord, without waiving or releasing Tenant from any obligation of Tenant hereunder, may, but shall not be obligated to, make any such payment or perform any such other term or covenant on Tenant's part to be performed. All sums so paid by Landlord and all necessary costs of such performance by Landlord together with interest thereon at the rate of the prime rate of interest per annum as quoted by the Bank of America from the date of such payment of performance by Landlord, shall be paid (and Tenant covenants to make such payment) to Landlord on demand by Landlord, and Landlord shall have (in addition to any other right or remedy of Landlord) the same rights and remedies in the event of nonpayment by Tenant as in the case of failure by Tenant in the payment of rent hereunder.

32. ATTORNEYS' FEES

(A) In the event that Landlord should bring suit for the possession of the Premises, for the recovery of any sum due under this Lease, or because of the breach of any provision of this Lease, or for any other relief against Tenant hereunder, or in the event that Tenant should bring suit against Landlord for the recovery of any sum due hereunder or because of the breach of any provision of this Lease or for any other relief against Landlord hereunder, then all costs and expenses, including reasonable attorneys' fees, incurred by the prevailing party therein shall be paid by the other party, which obligation on the part of the other party shall be deemed to have accrued on the date of the commencement of such action and shall be enforceable whether or not the action is prosecuted to judgement

(B) Should Landlord be named as a defendant in any suit brought against Tenant in connection with or arising out of Tenant's occupancy hereunder, Tenant shall pay to Landlord its costs and expenses incurred in such suit, including a reasonable attorney's fee, except to the extent Landlord's cost and expense were caused by the negligence or willful misconduct of Landlord, its agents or employees.

33. WAIVER The waiver by either party of the other party's failure to perform or observe any term, covenant or condition herein contained to be performed or

observed by such waiving party shall not be deemed to be a waiver of such term, covenant or condition or of any subsequent failure of the party failing to perform or observe the same or any other such term, covenant or condition therein contained, and no custom or practice which may develop between the parties hereto during the term hereof shall be deemed a waiver of, or in any way affect, the right of either party to insist upon performance and observance by the other party in strict accordance with the terms hereof.

34. NOTICES All notices, demands, requests, advices or designations which may be or are required to be given by either party to the other hereunder shall be in writing. All notices, demands, requests, advices or designations by Landlord to Tenant shall be sufficiently given, made or delivered if personally served on Tenant by leaving the same at the Premises or if sent by United States certified or registered mail, postage prepaid, addressed to Tenant at the Premises. All notices, demands, requests, advices or designations by Tenant to Landlord shall be sent by United States certified or registered mail, postage prepaid, addressed to Landlord at its offices at 3201 Ash Street, Palo Alto, CA 94306. Each notice, request, demand, advice or designation referred to in this paragraph shall be deemed received on the date of the personal service or mailing thereof in the manner herein provided, as the case may be.

35. EXAMINATION OF LEASE Submission of this instrument for examination or signature by Tenant does not constitute a reservation of or option for a lease, and this instrument is not effective as a lease or otherwise until its execution and delivery by both Landlord and Tenant. Landlord and Tenant mutually intend that neither shall have any binding contractual obligations to the other with respect to the matters referred to herein unless and until this instrument has been fully executed by both parties.

36. DEFAULT BY LANDLORD Landlord shall not be in default unless Landlord fails to perform obligations required of Landlord within a reasonable time, but in no event earlier than thirty (30) days after written notice by Tenant to Landlord and to the holder of any first mortgage or deed of trust covering the Premises whose name and address shall have heretofore been furnished to Tenant in writing, specifying wherein Landlord has failed to perform such obligations; provided, however, that if the nature of Landlord's obligations is such that more than thirty (30) days are required for performance, then Landlord shall not be in default if Landlord commences performance within such thirty (30) day period and thereafter diligently prosecutes the same to completion. Paragraph 36 is continued below.

37. CORPORATE AUTHORITY If Tenant is a corporation (or a partnership) each individual executing this Lease on behalf of said corporation (or partnership) represents and warrants that he is duly authorized to execute and deliver this Lease on behalf of said corporation (or partnership) in accordance with the by-laws of said corporation (or partnership in accordance with the partnership agreement) and that this Lease is binding upon said corporation (or partnership) in accordance with its terms. If Tenant is a corporation, Tenant shall, within thirty (30) days of written request by Landlord after execution of this Lease, deliver to Landlord a certified copy of the resolution of the Board of Directors of said corporation authorizing or ratifying the execution of this Lease.

38.

39. LIMITATION OF LIABILITY In consideration of the benefits accruing hereunder, Tenant and all successors and assigns covenant and agree that, in the event of any actual or alleged failure, breach or default hereunder by Landlord:

- (i) the sole and exclusive remedy shall be against Landlord and Landlord's assets;
- (ii) no partner of Landlord shall be sued or named as a party in any suit or action (except as may be necessary to secure jurisdiction of the partnership)
- (iii) no service of process shall be made against any partner of Landlord (except as may be necessary to secure jurisdiction of the partnership)
- (iv) no partner of Landlord shall be required to answer or otherwise plead to any service of process;
- (v) no judgment shall be taken against any partner of Landlord;
- (vi) any judgment taken against any partner of Landlord may be vacated and set aside at any time without hearing;
- (vii) no writ of execution will ever be levied against the assets of any partner of Landlord;
- (viii) these covenants and agreements are enforceable both by Landlord and also by any partner of Landlord.

(ix) The term, "Landlord", as used in this section, shall mean only the owner or owners from time to time of the fee title or the tenant's interest under a ground lease of the land described in Exhibit "B", and in the event of any transfer of such title or interest, Landlord herein named (and in case of any subsequent transfers the then grantor) shall be relieved from and after the date of such transfer of all liability as respects Landlord's obligations thereafter to be performed, provided that any funds in the hands of Landlord or the then grantor at the time of such transfer, in which Tenant has an interest, shall be delivered to the grantee. Similarly, the obligations contained in this Lease to be performed by Landlord shall be binding on Landlord's successors and assigns only during their respective periods of ownership. Tenant agrees that each of the foregoing covenants and agreements shall be applicable to any covenant or agreement either expressly contained in this Lease or imposed by statute or at common law.

40. BROKERS Tenant warrants that it had dealing with only the following real estate brokers or agents in connection with the negotiation of this Lease: None, and that it knows of no other real estate broker or agent who is entitled to a commission in connection with this Lease.

41. SIGNS No sign, placard, picture, advertisement, name or notice shall be inscribed, displayed, printed or affixed on or to any part of the outside of the Premises or any exterior windows of the Premises without the written consent of Landlord first had and obtained and Landlord shall have the right to remove any such sign, placard, picture, advertisement, name or notice without notice to and at the expense of Tenant. If Tenant is allowed to print or affix or in any way place a sign in, on or about the Premises, then upon expiration or other sooner termination of this Lease, Tenant at Tenant's sole cost and expense shall both remove such sign and repair all damage in such a manner as to restore all aspects of the appearance of the Premises to the condition prior to the placement of said sign.

All approved signs or lettering on outside doors shall be printed, painted, affixed or inscribed at the expense of Tenant by a person approved of by Landlord.

Tenant shall not place anything or allow anything to be placed near the glass of any window, door partition or wall which may appear unsightly from outside the Premises.

(Paragraph 41 is continued below)

42. FINANCIAL STATEMENTS In the event Tenant tenders to Landlord any information on the financial stability, creditworthiness or ability of the Tenant to pay the rent due and owing under the Lease, then Landlord shall be entitled to rely upon the information provided in determining whether or not to enter into this Lease Agreement with Tenant and Tenant hereby represents and warrants to Landlord the following: (i) that all documents provided by Tenant to Landlord are true and correct copies of the originals; and (ii) Tenant has not withheld any information from Landlord which is material to Tenant's creditworthiness, financial condition or ability to pay the rent; and (iii) all information supplied by Tenant to Landlord is true, correct and accurate in every material aspect and (iv) no part of the information supplied by Tenant to Landlord contains misleading or fraudulent statements as to any material matter.

A default under this paragraph shall be a non-curable default on behalf of Tenant and Landlord shall be entitled to pursue any right or remedy available to Landlord under the terms of this Lease or available to Landlord under the laws of the State of California.

43. HAZARDOUS MATERIALS

A. As used herein, the term "Hazardous Material" shall mean any substance or material which has been determined by any state, federal or local governmental authority to be capable of posing a risk of injury to health, safety or property including all of those materials and substances designated or defined as "hazardous" or "toxic" by (i) the Environmental Protection Agency, the California Water Quality Control Board, the Department of Labor, the California Department of Industrial Relations, the Department of Transportation, the Department of Agriculture, the Consumer Product Safety Commission, the Department of Health and Human Services, the Food and Drug Agency or any other governmental agency now or hereafter authorized to regulate materials and substances in the environment, or by (ii) the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. 9601 et seq., as amended; the Hazardous Materials Transportation Act, 49 U.S.C. 1801, et seq., as amended; the Resource Conservation and Recovery Act, 42 U.S.C. 6901 et seq., as amended; the Hazardous Waste Control Law, California Health & Safety Code 25100 et seq., as amended; Sections 66680 through 66685 of Title 22 of the California Administration Code, Division 4, chapter 30, as amended; and in the regulations adopted and publications promulgated pursuant to said laws.

B. Tenant shall not cause or permit any Hazardous Material to be

improperly or illegally used, stored, discharged, released or disposed of in, from, under or about the Premises or the Complex, or any other land or improvements in the vicinity of the Premises or the Complex. Without limiting the generality of the foregoing, Tenant, at its sole cost, shall comply with all laws relating to Hazardous Materials. If the presence of Hazardous Materials on the Premises or the Complex caused or permitted by Tenant results in contamination of the Premises or the Complex or any soil in or about the Premises or the Complex, Tenant, at its expense shall promptly take all actions necessary to return the Premises or the Complex to the condition existing prior to the appearance of such Hazardous Material. The termination of this Lease shall not terminate or reduce the liability or obligations of Tenant under this Section, or as may be required by law, to clean up, monitor or remove any Hazardous Materials from the Premises or the Complex.

Tenant shall defend, hold harmless and indemnify Landlord and its agents and employees with respect to all claims, damages and liabilities arising out of or in connection with any Hazardous Material used, stored, discharged, released or disposed of in, from, under or about the Premises or the Complex, where said Hazardous Material is or was attributable to the activities of Tenant, its agents or contractors during the Lease term and whether or not Tenant had knowledge of such Hazardous Material, including, without limitation, any cost of monitoring or removal, any reduction in the fair market value or fair rental value of the Premises or the Complex and any loss, claim or demand by any third person or entity relating to bodily injury or damage to real or personal property.

Tenant shall not suffer any lien to be recorded against the Premises or the Complex as a consequence of a Hazardous Material, including any so called state, federal or local "super fund" lien related to the "clean up" of a Hazardous Material in or about the Premises, where said Hazardous Material is or was attributable to the activities of the Tenant.

C. In the event Hazardous Materials are discovered in or about the Premises or the Complex, and Landlord has substantial reason to believe that Tenant was responsible for the presence of the Hazardous Material, then Landlord shall have the right to appoint a consultant, at Tenant's expense, to conduct an investigation to determine whether Hazardous Materials are located in or about the Premises or the Complex and to determine the corrective measures, if any, required to remove such Hazardous Materials. Tenant, at its expense, shall comply with all recommendations of the consultant, as required by law. To the extent it is determined that Tenant was not responsible for the presence of the Hazardous Materials, then Landlord shall reimburse Tenant for any costs incurred by Landlord and paid by Tenant under the terms of this paragraph 45.C.

Tenant shall immediately notify Landlord of any inquiry, test, investigation or enforcement proceeding by or against Tenant or the premises or the Complex concerning a Hazardous Material. Tenant acknowledges that Landlord, as the owner of the property, at its election, shall have the sole right, at Tenant's expense, to negotiate, defend, approve and appeal any action taken or order issued with regard to a Hazardous Material by an applicable governmental authority. Provided Tenant is not in default under the terms of this Lease, Tenant shall likewise have the right to participate in any negotiations, approvals or appeals of any actions taken or orders issued with regard to the Hazardous Material and Landlord shall not have the right to bind Tenant in said actions or orders.

Landlord shall defend, hold harmless and indemnify Tenant and its agents and employees with respect to all claims, damages and liabilities arising out of or in connection with any Hazardous Material used, stored, discharged, released or disposed of in, from, under or about the Premises or the Complex, where said Hazardous Material is or was not attributable to the activities of Tenant, its agents or contractors during the Lease term and whether or not Tenant had knowledge of such Hazardous Material, including, without limitation, any cost of monitoring or removal, any reduction in the fair market value or fair rental value of the Premises or the Complex and any loss, claim or demand by any third person or entity relating to bodily injury or damage to real or personal property.

D. It shall not be unreasonable for Landlord to withhold its consent to any proposed assignment or subletting if (i) the proposed assignee's or subtenant's anticipated use of the Premises involves the storage, use or disposal of Hazardous Material; (ii) if the proposed assignee or subtenant has been required by any prior landlord, lender or governmental authority to "clean up" Hazardous Material; (iii) if the proposed assignee or subtenant is subject to investigation or enforcement order or proceeding by any governmental authority in connection with the use, disposal or storage of a Hazardous Material.

E. Tenant shall surrender the Premises to Landlord, upon the expiration or earlier termination of the Lease, free of Hazardous Materials which are or were attributable to Tenant. If Tenant fails to so surrender the Premises, Tenant shall indemnify and hold Landlord harmless from all damages resulting from Tenant's failure to surrender the Premises as required by this paragraph, including, without limitation, any claims or damages in connection with the condition of the Premises including, without limitation, damages occasioned by

the inability to relet the Premises or a reduction in the fair market and/or rental value of the Premises or the Complex by reason of the existence of any Hazardous Materials, which are or were attributable to the activities of Tenant, in or around the Premises or the Complex.

Notwithstanding any provision to the contrary in this Lease, if any action is required to be taken by a governmental authority to clean-up, monitor or remove any Hazardous Materials, which are or were attributable to the activities of Tenant, from the Premises or the Complex and such action is not completed prior to the expiration or earlier termination of the Lease, then at Landlord's election (i) this Lease shall be deemed renewed for a term commencing on the expiration date of this Lease and ending on the date the clean-up, monitoring or removal procedure is completed (provided, however, that the total term of this Lease shall not be longer than 34 years and 11 months); or (ii) Tenant shall be deemed to have impermissibly held over and Landlord shall be entitled to all damages directly or indirectly incurred in connection with such holding over, including without limitation damages occasioned by the inability to relet the Premises or a reduction in the fair market and/or fair rental value of the Premises or the Complex by reason of the existence of the Hazardous Material.

F. Upon the Lease Commencement Date, Tenant shall provide to Landlord a complete list of all chemicals, toxic waste or Hazardous Materials employed by Tenant within the Premises. Throughout the term of this Lease, Tenant shall continue to update this list of chemicals, contaminants and Hazardous Materials.

Landlord hereby warrants Tenant that there is no asbestos in the buildings.

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44. MISCELLANEOUS AND GENERAL PROVISIONS

a. Tenant shall not, without the written consent of Landlord, use the name of the building for any purpose other than as the address of the business conducted by Tenant in the Premises.

b. This Lease shall in all respects be governed by and construed in accordance with the laws of the State of California. If any provision of this Lease shall be invalid, unenforceable or ineffective for any reason whatsoever, all other provisions hereof shall be and remain in full force and effect.

c. The term "Premises" includes the space leased hereby and any improvements now or hereafter installed therein or attached thereto. The term "Landlord" or any pronoun used in place thereof includes the plural as well as the singular and the successors and assigns of Landlord. The term "Tenant" or any pronoun used in place thereof includes the plural as well as the singular and individuals, firms, associations, partnerships and corporations, and their and each of their respective heirs, executors, administrators, successors and permitted assigns, according to the context hereof, and the provisions of this Lease shall inure to the benefit of and bind such heirs, executors, administrators, successors and permitted assigns.

The term "person" includes the plural as well as the singular and individuals, firms, associations, partnerships and corporations. Words used in any gender include other genders. If there be more than one Tenant the obligations of Tenant hereunder are joint and several. The paragraph headings of this Lease are for convenience of reference only and shall have no effect upon the construction or interpretation of any provision hereof.

d. Time is of the essence of this Lease and of each and all of its provisions.

e. At the expiration or earlier termination of this Lease, Tenant shall execute, acknowledge and deliver to Landlord, within ten (10) days after written demand from Landlord to Tenant, any quitclaim deed or other document required by any reputable title company, licensed to operate in the State of California, to remove the cloud or encumbrance created by this Lease from the real property of which Tenant's Premises are a part.

f. This instrument along with any exhibits and attachments hereto constitutes the entire agreement between Landlord and Tenant relative to the Premises and this agreement and the exhibits and attachments may be altered, amended or revoked only by an instrument in writing signed by both Landlord and Tenant. Landlord and Tenant hereby agree that all prior or contemporaneous oral agreements between and among themselves and their agents or representatives relative to the leasing of the Premises are merged in or revoked by this agreement.

g. Neither Landlord nor Tenant shall record this Lease or a short form memorandum hereof without the consent of the other.

h. Tenant further agrees to execute any amendments required by a lender to enable Landlord to obtain financing, so long as Tenant's rights hereunder

are not substantially affected.

i. Paragraph(s) 45 through 54 are/is added hereto and are/is included as a part of this Lease.

j. Clauses, plats and riders, if any, signed by Landlord and Tenant and endorsed on or affixed to this Lease are a part hereof.

k. Tenant covenants and agrees that no diminution or shutting off of light, air or view by any structure which may be hereafter erected (whether or not by Landlord) shall in any way affect this Lease, entitle Tenant to any reduction of rent hereunder or result in any liability of Landlord to Tenant.

Paragraph 44 is continued below.

IN WITNESS WHEREOF, Landlord and tenant have executed and delivered this Lease as of the day and year first above written.

LANDLORD:

TENANT:

CHARLESTON PROPERTIES, a
California General Partnership

INTUIT, INC., a
Delaware Corporation

By /s/ Boyd C. Smith

By /s/ W.H. Lane

Title Partner

Title VP/CFO

2.B.(continued). TENANT'S COMPENSATION IN THE EVENT OF A DELAY

- (1) In the event Landlord is unable to make the Premises available to Tenant 90 days prior to the Lease Commencement Date as set forth in Paragraph 2A above to permit Tenant to commence construction of desired changes within the Premises, Tenant shall receive any and all monies received by Landlord as penalties (hereinafter referred to as Sun Excess Rent) from Sun Microsystems (the prior Tenant) in excess of the Basic Rent amount that Sun Microsystems would have been obligated to pay Charleston Properties during any holdover period. For example, if Sun Microsystems paid Landlord 150% of Basic Rent during a holdover period, Landlord would receive 100% of the Basic Rent and Tenant would receive the 50% Sun Excess Rent.

Paragraph 2.C. EARLY OCCUPANCY FOR CONSTRUCTION PURPOSES

The Lease Commencement Date for the Premises leased hereunder shall remain as stated in paragraph 2A provided Landlord has granted Tenant access to the Premises ninety days prior to the commencement of the Lease for the purpose of Tenant's construction of Tenant Improvements. At such time as Landlord has made the Premises available for the commencement of construction, Tenant or Tenant's contractor, shall be permitted to commence construction. During this 90 day period, Tenant shall hold Landlord, and WSJ Properties (Landlord's Property Management Company retained to manage the Complex) harmless from any loss or damage caused by Tenant's or Tenant's contractor's construction activities during this period. During this 90 day construction period, Tenant shall not be obligated to pay Basic or Additional Rent on the Premises so under construction unless Tenant elects to occupy the Premises during this 90 day period with Tenant's operating personnel. In the event Tenant does occupy the Premises with operating personnel, Tenant shall occupy the Premises under all the terms and conditions of the Lease and Tenant shall pay Landlord Basic and Additional Rent beginning with said Date of occupancy by Tenant's operating personnel up and until the specified Commencement Date of the term of the Lease in the following daily amounts:

Daily Basic Rent	\$2,132.00
Daily Additional Rent	\$ 317.00 (estimated)

The Commencement Date and Termination Date of Lease for the Premises shall not be affected by this early occupancy and shall remain as stated.

Paragraph 4A (1) (continued). BASIC RENT

The table below represents a specific Basic Rent expressed in dollars per square foot per month for a specific time period.

The Basic Rent due and payable is calculated by multiplying the gross square footage leased times the Basic Rent per square foot per month as indicated.

The Basic Rent rates are as follows:

<TABLE>	
<S>	
1/1/1997 - 12/31/1999	<C> \$1.50 per square foot per month
1/1/2000 - 12/31/2003	\$1.60 per square foot per month
1/1/2004 - 12/31/2007	\$1.70 per square foot per month
1/1/2008 - 12/31/2008	\$1.75 per square foot per month
	or the Fair Market Value,
</TABLE>	

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1/1/2009 and thereafter	whichever is greater The rate per square foot per month shall be increased by \$.05/per square foot per month as of each January 1 during the term over the prior year or shall be the Fair Market Value, whichever is greater.
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(See paragraph 46 for Fair Market Value definition and determination and paragraph 50 for Basic Rent Abatement for Tenant Improvements).

Paragraph 4A (2). PAYMENT UPON EXECUTION OF LEASE AND TIMELY PAYMENT OF MONTHLY BASIC AND ADDITIONAL RENT

Upon execution of this Lease, Tenant shall pay Landlord \$63,948 (42,632 x \$1.50) representing the first month's Basic Rent payment. During the term of the Lease, Tenant's monthly Basic and Additional Rent shall be due and payable on or before the first day of each month of the Lease term.

Paragraph 4D (continued). ADDITIONAL RENT

For purposes of calculating Tenant's proportionate share of Additional Rent Expenses for the Complex it is hereby mutually agreed the Complex totals 85,264 rentable square feet (Buildings 1, 2).

Landlord's monthly estimate for Additional Rent items described in paragraph 4D (excluding taxes) for calendar year 1996 is \$6,600 per month (42,632 x \$0.155). The following represents a line item breakdown of Landlord's estimate of monthly expenses (expressed in dollars per square foot per month):

<TABLE>	
<S>	
Exterior maintenance and landscape	<C> \$ 0.045
Building maintenance and HVAC	0.065
Insurance (including earthquake insurance)	0.025
Management	0.02
Utilities (Tenant pays directly)	-0-
Janitorial (Tenant pays directly)	-0-

Total	\$ 0.155
</TABLE>	

Landscape water for the Complex shall be paid directly by Tenant if Tenant occupies the entire Complex.

Taxes shall be billed separately and prorated for periods of occupancy and shall be due December 1st and April 1st of each calendar year. Landlord's estimate for the 1995-1996 Tax year (July 1, 1995 - June 30, 1996) for the Complex is as follows:

Parcel #116-03-029 (Buildings 1,2)
\$83,000 or \$41,500 per Building per year

Tenant shall have the right, during normal business hours and at Tenant's own expense, to audit Landlord's records concerning Additional Rent items. In the event a discrepancy of greater

than 3% of Tenant's correct share of costs is discovered, Landlord shall pay the cost of Tenant's out of pocket costs to third parties and shall credit or refund to Tenant the amount of the discrepancy. If the audit indicates Tenant owes Landlord an additional

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amount, Tenant shall pay the additional amount promptly.

Paragraph 4F (continued). SECURITY DEPOSIT

Notwithstanding anything in the Lease to the contrary, Landlord agrees to accept, and Tenant shall have the right, at Tenant's sole discretion, to pay for the Security Deposit by tendering to Landlord, on execution of this Lease, an irrevocable standby Letter of Credit. The form of the irrevocable standby Letter of Credit must be acceptable to Landlord, and in the event the term of said Letter of Credit is for one year, then Tenant agrees to renew said Letter of Credit 30 days prior to expiration of the Letter of Credit. Tenant's failure to renew the Letter of Credit for an additional year, 30 days prior to its expiration date, shall entitle Landlord to draw against the Letter of Credit the amount of the Security Deposit.

Paragraph 7 (continued)

Further, Landlord hereby represent and covenants that with respect to direct maintenance of the Premises only WSJ's overhead shall be included in these costs and no profit component is or will be built into the cost of the services or materials provided by any of Landlord's subsidiaries or affiliates who are under contract to provide services and materials to the Premises (including without limitation WSJ Properties). Excluded as reimbursable costs from Tenant to Landlord are the follows:

1. any fines, costs, penalties or interest resulting from the negligence or willful misconduct of the Landlord or its agents, contractors, or employees;
2. any costs of any services sold or provided to tenants or other occupants for which Landlord-or Managing Agent is entitled to be reimbursed by such tenants or other occupants.
3. acquisition costs for sculptures, paintings, or other objects of art;
4. costs for which Landlord has been compensated by a management fee; for example, accounting costs necessary to operate the Complex and report its financial status to the Landlord.

Paragraph 9 (continued). ALTERATIONS AND ADDITIONS

Landlord shall lease the promises to Tenant in an "as-is" condition, and other than Landlord's repair obligation per paragraph 49 and Landlord's code compliance obligation per paragraph 48, all cost of construction including demolition, architectural, drawings, permitting fees, etc., shall be paid by Tenant with landlord's contributions limited to those described in paragraph 50.

Notwithstanding anything herein to the contrary, upon Landlord's approval of Tenant's initial Tenant Improvements to be installed and paid for by Tenant (except as provided for in paragraph 50), Tenant shall not be required to restore the initial build-out to the configuration and condition in existence as of the date Landlord first delivers possession of the Promises to Tenant. Should Tenant elect to install a ceiling and lighting system that is other than a standard 2 x 2 or 2 x 4 T-Bar grid and 2 x 2 or 2 x 4 drop-in parabolic lens with fluorescent bulb fixtures Landlord may, in its sole discretion determined at the time Landlord approves the plans, require restoration to the existing ceiling system and similar light fixtures. If Tenant makes no changes to the Premises at the outset and uses the Premises in an as-is condition, and later makes substantial renovations or improvements, then, at Landlord's option, any future restoration required shall be to the original condition and configuration as first delivered to Tenant. At the time any subsequent alterations are requested,

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Landlord shall notify Tenant of any restoration requirements per this paragraph 9. Landlord shall not have the right to approve or disapprove or to require restoration in the event any changes subsequent to the initial build-out of any building meet the following criteria:

- 1) The total cost of construction is less than \$15,000.
- 2) The changes do not in anyway affect exiting or fire corridors, restrooms, building entrances, lobbies, building systems or structure. Landlord's granting approval to Tenant to make

changes herein described without the obligation to restore is in reliance upon Tenant's making commercially reasonable alterations and Tenant agrees not to use this subparagraph to circumvent Landlord's right to require Tenant to restore the premises under paragraph 9.

Tenant shall have the right to employ a general contractor of its choosing for any modifications desired to be made to the Premises leased hereunder. However, Tenant hereby agrees in the event Tenant elects to make subsequent modifications to the Premises to consider the WSJ Properties Construction Division a preferred vendor and Tenant hereby acknowledges that it is Landlord's strong preference to have WSJ Properties Construction Division perform any modifications to the Premises. Although Tenant shall consider WSJ Properties Construction Division a preferred vendor, Tenant shall be under no obligation to select WSJ Properties and Tenant further acknowledges WSJ is a completely separate entity from landlord and any disputes relating to construction performed by WSJ for Tenant shall be resolved directly between WSJ and Tenant.

Paragraph 11 (continued). UTILITIES

Tenant shall pay promptly, as the same become due, all charges for water, gas, electricity, telephone, telex and other electronic communications service, sewer service, waste pick-up and any other utilities, materials or services furnished directly to or used by Tenant on or about the Premises during the term of this Lease, including, without limitation, any temporary or permanent utility surcharge or other exactions whether or not hereinafter imposed. Landlord shall not be liable for and Tenant shall not be entitled to any abatement or reduction of rent by reason of any interruption or failure of utility services to the Premises when such interruption or failure is caused by accident, breakage, repair, strikes, lockouts, or other labor disturbances or labor disputes of any nature, or by any other cause, similar or dissimilar, beyond the reasonable control of Landlord.

Paragraph 19 (continued). ASSIGNMENT AND SUBLETTING

Notwithstanding the foregoing, without the prior consent of Landlord, Tenant shall have the right (i) to assign this Lease to an affiliate or subsidiary of Tenant or (ii) to merge with another corporation or entity or (iii) to enter into an acquisition of another corporation or be acquired by another corporation, in each case provided that Landlord is promptly provided with notice thereof and Tenant remains fully liable for the full performance of Tenant's obligation under the Lease; provided, however, that in the event Tenant merges into another entity or is wholly acquired by another entity (in each case, the "Successor Entity") , and provided Tenant ceases to exist and the Successor Entity is at least as well capitalized as Tenant and has at least the same overall financial wherewithal as Tenant had prior to such merger or acquisition, it shall be the Successor Entity (not Tenant) who shall be fully liable hereunder as the successor tenant.

Paragraph 24 (continued). DESTRUCTION

In the event the Premises are damaged or destroyed in whole or

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in part from any cause, Landlord shall, within fifteen (15) days of the event of such damage or destruction, notify Tenant in writing as to the approximate length of time necessary for Landlord to reconstruct the Premises to substantially its former condition. If such estimate exceeds one hundred eighty (180) days from the date of damage or destruction, Tenant shall have the option, within ten (10) days of receipt of Landlord's notice, to terminate this Lease. If Tenant does not exercise its option to terminate, or if Tenant is not entitled to terminate under this paragraph, Landlord shall promptly, at its sole expense, rebuild or restore the Premises to substantially the condition existing prior to the date of damage or destruction. Tenant shall be entitled to a reduction in rent while such repair is being made in the proportion that the area of the Premises rendered untenable by such damage bears to the total area of the Premises. If Landlord does not complete the rebuilding or restoration within one hundred eighty (180) days following the date of destruction (such period of time to be extended for delays caused by the fault or neglect of Tenant or because of -Acts of God, acts of public agencies, labor disputes, strikes, fires, freight embargoes, rainy or stormy weather, inability to obtain materials, supplies or fuels), then Tenant shall have the right to terminate this Lease by giving fifteen (15) days prior written notice to Landlord. Notwithstanding anything herein to the contrary, Landlord's obligation to rebuild or restore shall be limited to the building and interior improvements constructed by Landlord as they existed as of the commencement date of the Lease and the initial Tenant Improvements installed at the commencement of the term, but shall not include restoration of Tenant's trade fixtures, equipment, merchandise or any subsequent improvements, alterations or additions made by Tenant to the Premises, which Tenant shall forthwith replace or fully repair at Tenant's sole cost and expense provided this Lease is not canceled according to

the Provisions above. Unless this Lease is terminated pursuant to the foregoing provisions, this Lease shall remain in full force and effect. Tenant hereby expressly waives the provisions of Section 1932, Subdivision 2, and Section 1933, Subdivision 4 of the California Civil Code.

Notwithstanding anything, to the contrary set forth above, in the event the damage or destruction of the Premises (i) occurs during the last two years of the term (unless any applicable extension option has been exercised) and (ii) has rendered at least 33% of the Premises unusable by Tenant, Landlord shall have the option during the aforementioned fifteen (15) day period to elect not to rebuild the Premises by so notifying Tenant or to elect to terminate this Lease by so notifying Tenant.

Paragraph 28 (continued). HOLDING OVER

Tenant shall have the right, upon one year prior written notice to Landlord, to extend the lease termination date for this Lease up to six months beyond the lease expiration date provided and only if Tenant has also agreed to similarly and in a coterminus manner extend the lease termination date for all the leases for Buildings leased by Tenant within the Complex. Tenant may not exercise this right to extend the lease termination date on less than all the Buildings leased within the Complex. The Basic Rent during this extended period shall be 125% of the monthly Basic Rent then in affect for the month immediately prior to the lease expiration.

Paragraph 36 (continued). DEFAULT BY LANDLORD

Notwithstanding anything to the contrary set forth above in this paragraph 36, Landlord and Tenant agree that under certain "emergency circumstances", Tenant shall have the right to perform obligations otherwise required of Landlord without the necessity of providing Landlord (and any mortgagee) with such thirty (30) day notice and opportunity to cure. Under such "emergency circumstances", Tenant shall use its good faith reasonable

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judgment in determining a shorter notice period for response by Landlord or determining that the matter at hand must be resolved immediately such that notice can only be given after the fact. For the purposes hereof, "emergency circumstances" shall mean (i) any hazardous situation that poses a threat of damage, destruction or injury to any person or property of a material nature or otherwise threatens the safety of employees and/or visitors to the Premises or (ii) any other circumstance that involves a substantial interference with the operations of Tenant's business enterprise in the Premises, including without limitation the launching of new software products or revisions thereto (especially to correct existing problems which must be addressed immediately) to enable customers to perform needed financial and tax-related functions, which is of special concern during the months preceding April 15th of each calendar year.

Paragraph 41 (continued). SIGNS

Subject to the approval of the City of Mountain View and Landlord, whose consent shall not be unreasonably delayed, Tenant, at Tenant's sole cost and expense, shall have the right to install (i) a monument sign located at the main driveway entrance to the Complex; (ii) suitable building signage adjacent to the Premises and (iii) suitable directional signage in the common areas and within the Premises leased hereunder. Landlord shall promptly remove all prior tenant signage from the Premises and any common areas adjacent thereto and said removal shall not be at Tenant's expense.

Paragraph 44 (continued). MISCELLANEOUS AND GENERAL PROVISIONS

Landlord covenants with Tenant that upon Tenant paying the rent and all other charges required under this Lease and performing all of Tenant's covenants and agreements contained herein, Tenant shall peacefully have, hold and enjoy the Premises, subject to all of the terms and conditions of this Lease.

45. OPTIONS TO EXTEND

Provided Tenant is not in default under any of the terms, covenants or conditions of this Lease and subject to the terms and conditions set forth hereafter, Tenant is hereby granted the option to extend the term of Lease for the Premises leased hereunder for two consecutive five year periods:

a) Tenant's option to extend this Lease is contingent upon Tenant also extending the term of lease for all the Buildings then leased within the Complex. For example, should Tenant desire to extend this lease in the Complex, Tenant must exercise its option to extend the Lease for each of Buildings 1 & 2, and may not, for example, elect to extend the lease on building 2 but not 1. It is hereby acknowledged that the lease expiration dates of buildings leased within the Complex might not terminate on the same date. It is further agreed that in the event Tenant does not lease all the buildings within the Complex, nevertheless, Tenant shall have the option to extend the lease on the buildings so leased per the terms of this paragraph 45.

b) Tenant shall notify Landlord in writing of Tenant's exercise of its option to extend the Lease for each Building leased within the Complex no less than 12 months prior to the earliest lease expiration date of any Building leased within the Complex.

c) The Lease for each building within The Complex shall be extended for a period of five years commencing upon the day after the Lease termination date for such Building within the Complex and shall terminate five years later.

d) The monthly Basic Rent during the extended term shall be

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as defined in paragraph 4A.

e) The then current payment for Additional Rent described in paragraph 4 D of the Lease shall continue to be adjusted according to paragraph 4D of the Lease.

f) This option to extend can be exercised solely by Tenant for its sole use of the Premises (including any permitted subtenants and affiliates which in total do not exceed 25% of a Complex) and may not be transferred or assigned to any sublessee or other party, nor may this option be exercised by Tenant if more than 25% of a Complex is then subleased to a party other than Tenant or Tenant's affiliates.

46. FAIR MARKET RATE

The fair market rate shall be defined as the prevailing market rate with interim adjustments (if any) then charged for comparable space of comparable quality in the immediate Mountain View/Shoreline market area. For the period January 1, 2008 and annually thereafter this Lease calls for a determination of the fair market rate. Landlord shall promptly notify Tenant of such rate as reasonably determined by Landlord one hundred and eighty days prior to the beginning of each successive calendar year, beginning with calendar year 2008. Landlord and Tenant shall attempt to agree in writing on such fair market rate. If Landlord and Tenant do not agree on the fair market rate for the Premises by that date which is one hundred fifty (150) days prior to the beginning of a calendar year, then Landlord and Tenant shall each select a licensed real estate broker (the "Brokers") with a minimum five (5) years commercial leasing experience in the Mountain View area to determine the fair market rate for the Premises. If the Brokers are unable to agree as to the fair market rate by that date which is one hundred twenty (120) days prior to the end of the calendar year in question, then the Brokers shall mutually select a third licensed real estate broker (the "Arbitrator") who has the same minimum qualifications as the Brokers and who has not previously represented either party. Each Broker shall submit to the Arbitrator his or her determination of the fair market rate for the Premises, and the support therefor, and the Arbitrator shall decide which Broker has most accurately determined the fair market rate, which decision shall be final and binding on both Landlord and Tenant. Landlord and Tenant shall each pay their own Broker's fees and costs and shall each pay one-half (1/2) of the Arbitrator's fees and costs.

47. Paragraph 47 is hereby intentionally omitted.

48. CODE COMPLIANCE

With respect to all applicable local, state and federal regulations and codes including without limitation the Americans with Disabilities Act and Title XXIV of the California Energy Code, as of the commencement of lease term for the Premises, Landlord at Landlord's sole cost and expense shall make all modifications to the exterior of the Premises such as parking lots, stairways, walkways, etc. to bring the exterior of the Premises leased hereunder into compliance. Commencing as of the date Landlord offers possession of the Premises to Tenant, Landlord shall at Landlord's sole cost and expense make any governmentally required modifications to the restrooms to bring them into compliance with all applicable codes. Landlord's compliance obligations with respect to the restrooms set forth in this paragraph 48 shall also include replacing fixtures and finishes as necessary. Landlord's sole obligation with respect to compliance is therefore limited to any governmentally required modifications to the Bathrooms within the Premises and any governmentally required modifications to the exterior. All other costs and obligations with respect to compliance shall rest solely with Tenant. All such interior modifications shall be completed diligently prior to the Lease

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Commencement Date referenced in Paragraph 2A above. All exterior modifications to be made by Landlord shall be diligently constructed to completion.

49. ACCEPTANCE AND SURRENDER OF PREMISES AND COST OF MAJOR REPAIRS

Notwithstanding anything in paragraphs 8 & 9 to the contrary, commencing as of the date Landlord offers possession of the Premises to Tenant, an independent inspection team shall be hired to make a thorough inspection of the Premises. Tenant shall hire the inspectors subject to Landlord's reasonable approval of the cost of the inspection and the inspector. Landlord shall pay for the inspection. Said inspection shall be limited to and shall only include roofs, elevators, HVAC systems, electrical systems (including lights and bulbs), plumbing systems, locking mechanisms, exterior and roll-up doors, and glazing. Tenant shall provide Landlord a copy of these reports. Landlord shall deliver the buildings and all operating systems covered in the report to Tenant as of the Lease Commencement Date referenced in Paragraph 2A above in a well maintained condition and in good repair. Landlord shall be under no specific obligation to upgrade any particular system and Tenant acknowledges that the systems have been previously used. Landlord's repair of the referenced items shall not affect the commencement date of the Lease so long as Tenant is able to occupy and operate in the Premises without interference. Notwithstanding anything in paragraph 7 to the contrary, Capital Expenses made by Landlord shall not be included in the annual expenses of operation, management and maintenance of the Building or Complex. For example, the replacement of an entire roof shall not be deemed an expense of operation whereas the ongoing repair and maintenance of a roof is deemed an operating expense. In addition to provisions of paragraph 4D and 7, if there is a single incident that requires a maintenance expense up to \$15,000, said expense shall be reimbursable by Tenant and shall be included in the annual operating expenses. For single large maintenance expenses between \$15,000 and \$20,000, such expense will be reimbursable by Tenant (without interest) over three years with an equal amount charged per year. If a single large maintenance expense is greater than \$20,000, it shall be reimbursable by Tenant over a 5 year period, in equal amounts reimbursable per year.

Landlord shall lease the Premises to Tenant in an "as-is" condition, and other than Landlord's repair obligation per paragraph 49 and Landlord's code compliance obligation per paragraph 48, all cost of construction including demolition, architectural, drawings, permitting fees, etc., shall be paid by Tenant with Landlord's contributions limited to those described in paragraph 50.

50. LANDLORD'S CONTRIBUTION TOWARDS TENANT IMPROVEMENTS

Landlord shall contribute \$15.00 per rentable square foot towards Tenant requested improvements to the Premises. Landlord's total tenant improvement obligation is $\$15 \times 42,632 \text{ s.f.} = \$639,480$. Tenant shall be granted these tenant improvement dollars in the form of \$383,688 Basic Rent abatement and \$255,792 cash allowance towards improvements. If the initial tenant improvement expense is less than the amounts specified herein, Landlord and Tenant shall split equally the savings after Landlord has deducted the cost of Landlord's expenditures per paragraph 48 from the contributions towards Tenant's Improvements. Landlord's cash contribution shall only be made available in the event tenant improvements exceed the amount granted in the form of rent abatement. For example, should Tenant improvements for the Premises total \$400,000 and Landlord's costs per paragraph 48 was \$20,000 the savings represented would be $\$639,480 - 20,000 - 400,000 = \$219,480$. Landlord would therefore grant Tenant a total of \$509,740 calculated as follows: $219,480 + 2 = 109,740$; $400,000 + 109,740 = \$509,740$ as Landlord's contribution towards improvements. Landlord's rent abatement would equal \$383,688 and Landlord's cash

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contribution would equal \$126,052. Other than the cost of Landlord's obligations under paragraphs 48 and 49, the allowance described in this Paragraph 50 represents Landlord's only obligation toward improvements to the Premises.

51. CONSTRUCTION SUPERVISION. Landlord, at Landlord's sole cost and expense, shall retain WSJ Properties Construction Division to supervise the improvements made by Tenant's Contractor (if other than WSJ Properties) for Tenant's initial built-out. Landlord shall approve all plans in a timely manner prior to commencement of construction and copies of all permits and final signed-off copies of permits shall be submitted to Landlord. Landlord shall also be named as an additional insured on all general and subcontractor insurance policies and shall receive lien releases from all subcontractors. In general, Landlord requires the following:

- 1) The construction area must be kept clean and neat with interior and exterior daily pick-up.
- 2) The construction may not unreasonably interfere with any other tenants in the Complex.
- 3) Landlord shall receive copies of as-built drawings for the improvements, including HVAC, electrical, plumbing, partitions, reflected ceilings, finish schedules, millwork, etc. There shall also be one reproducible set of drawings submitted to Landlord.

- 4) Landlord shall received a list of all finishes and suppliers.
- 5) ELECTRICAL
 - a) All electrical shall be in EMT with no M.C. Cable.
 - b) Any new panels and breakers to match existing and shall be accurately labeled.
 - c) All fluourescent lighting shall be cool white or otherwise as reasonably agreeable to both parties.
- 6) HVAC
 - a) Zone boxes and controls shall match existing if available.
 - b) EMONDEMON meters shall be installed on all special air conditioning units.
 - c) All thermostats shall be now and match existing if available.
 - d) Landlord shall receive a structural report for all new units placed on the roof.
 - e) All roof patching shall be hot mopped not cold patched.
 - f) Upon completion of construction the HVAC Systems shall be air balanced and all filters changed.
- 7) PLUMBING

Tenant shall not use plastic piping. All piping must be copper galvanized or cast iron.
- 8) KEYS

Landlord shall be provided with the copies of any keys to locking mechanisms for emergency purposes. Tenant shall

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use a BEST-lock system.

- 9) Tenant shall-be responsible for meeting all applicable codes for earthquake, energy, and handicap requirements directly related to Tenant's interior improvements. Any contractor or subcontractor must be licensed to do business in the State of California. This Tenant responsibility shall be for all items not defined as Landlord's responsibility in paragraph 48.
- 10) The general contractor and subcontractors shall use first class construction practices and shall comply with reasonable suggestions of the WSJ Properties Construction Supervisor.

52. NON DISTURBANCE

Landlord further represents that there are no outstanding loans on the Premises leased hereunder. In the event Landlord borrows in the future and uses the Premises leased hereunder as security, Landlord shall so notify Tenant.

53. MICROSOFT TO BE SUBSTITUTED AS TENANT

Tenant warrants to Landlord that Tenant's Board of Directors has approved this Lease transaction. Landlord and Tenant further acknowledge that Tenant is in the process of being acquired by Microsoft, Inc, a Delaware Corporation (hereinafter referred to as Microsoft) headquartered at One Microsoft Way, Redmond, Washington 98052-6399. Landlord, as a material consideration for entering into this Lease has relied on Tenant's representation that in the event this acquisition is completed, Microsoft shall assume directly all the obligations and liabilities of Tenant hereunder and shall be liable for the full performance as Tenant under this Lease. Microsoft has agreed that the assumption of this Lease by Microsoft is a condition of the acquisition of Tenant. Tenant warrants to Landlord that Microsoft has been made aware of this obligation and that Microsoft has agreed to assume all the obligations of this Lease at the time the acquisition is completed.

54. CROSS DEFAULT

It is understood that Landlord and Tenant may enter into several leases for premises in the vicinity of the Premises leased hereunder. Exhibit "B" shows 4 additional buildings for which Tenant shall enter into leases with Landlord

(Buildings 2, 3, 4 and 5), and several additional buildings may be leased by Tenant from Landlord at a later date. As a material part of the consideration for the execution of this Lease by Landlord, it is agreed between Landlord and Tenant that a default under this Lease (after any applicable notice and cure period has expired), or a default under a lease by Tenant (after any applicable notice and cure period has expired) for any building leased and shown on Exhibit "B" may, at the option of Landlord, be considered a default under all leases by and between Landlord and Tenant then in effect, in which event Landlord shall be entitled (but in no event required) to apply all rights and remedies of Landlord under the terms of one lease to all leases including, but not limited to, the right to terminate one or all of said leases by reason of default under said Lease or hereunder.

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[MAP OF COMPLEX]

COMPLEX -----	PARCEL NUMBER -----
1	APN 116 03 020
2	APN 116 03 029
3	APN 116 03 028
4	APN 116 03 027

[MAP OF COMPLEX]

COMPLEX -----	PARCEL NUMBER -----
1	APN 116 03 020
2	APN 116 03 029
3	APN 116 03 028
4	APN 116 03 027

RULES AND REGULATIONS OF THE BUILDING

1

No sign, placard, picture, advertisement, name or notice shall be inscribed, displayed or printed or affixed on or to any part of the outside of the Premises or any exterior windows of the Premises without the written consent of Landlord first had and obtained and Landlord shall have the right to remove any such sign, placard, picture, advertisement, name or notice without notice to and at the expense of Tenant.

All approved signs or lettering on outside doors shall be printed, painted, affixed or inscribed at the expense of Tenant.

Tenant shall not place anything or allow anything to be placed near the glass of any window, door partition or wall which may appear unsightly from outside the Premises.

2

Tenant shall not occupy or permit any portion of the Premises to be occupied for the manufacture or sale of liquor, narcotics or tobacco in any form.

3

4

The sidewalks, passages, exits, entrances, elevators and stairways shall not be obstructed by Tenant or used by it for any purpose other than ingress to and egress from its Premises. The passages, exits, entrances, stairways, balconies and roof are not for the use of the general public and Landlord shall in all cases retain the right to control and prevent access thereto by all persons whose presence in the judgment of Landlord shall be prejudicial to the safety, character, reputation and interests of the Premises and its tenants, provided that nothing herein contained shall be construed to prevent such access to persons with whom Tenant normally deals in the ordinary

course of Tenant's business unless such persons are engaged in illegal activities. Tenant, employees or invitees of Tenant shall not go upon the roof of the Premises.

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The toilet rooms, urinals, wash bowls and other apparatus shall not be used for any purpose other than that for which they were constructed and no foreign substance of any kind whatsoever shall be thrown therein and the expense of any breakage, stoppage or damage resulting from the violation of this rule shall be borne by Tenant who, or whose employees or invitees shall have caused it.

6

Tenants shall not overload the floor of the Premises or in any way deface the Premises or any part thereof.

7

Landlord shall have the right to prescribe the weight, size and position of all safes and other heavy equipment brought into the Premises. Safes or other heavy objects shall, if considered necessary by Landlord, stand on wood strips of such thickness as is necessary to properly distribute the weight. Landlord will not be responsible for loss of or damage to any such safe or property from any cause and all damage done to the Premises by moving or maintaining any such safe or other property shall be repaired at the expense of Tenant.

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Tenant shall not use, keep or permit to be used or kept any foul or noxious gas or substance in the Premises, or permit or suffer the Premises to be occupied or used in a manner offensive or objectionable to Landlord or other occupants of the Premises by reason of noise, odors and/or vibrations, or interfere in any way with other tenants or those having business therein, nor shall any animals or birds with the exception of Dog Guides for the blind, be brought in or kept about the Premises.

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No cooking (except microwave cooking and coffee/tea brewing) shall be done or permitted by Tenant on the Premises, nor shall the Premises be used for the storage of merchandise for washing clothes, for lodging, or for any improper, objectionable or immoral purposes.

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No boring or cutting for wires will be allowed without the consent of Landlord. The location of telephones, call boxes and other office equipment affixed to the Premises shall be subject to the approval of Landlord.

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Tenant upon the termination of the tenancy, shall deliver to Landlord the keys of offices, rooms and toilet rooms which have been furnished the Tenant or which Tenant shall have had made.

13

Tenant shall see that the doors of the Premises are closed and securely locked before leaving the Premises and must observe strict care and caution that all water faucets or water apparatus within the Premises are entirely shut off before Tenant or Tenant's employees leave the Premises, and that all electricity shall likewise be carefully cut off, so as to prevent waste or damage.

14

Landlord reserves the right to exclude or expel from the Premises any person who, in the judgment of Landlord, is intoxicated or under the influence of liquor or drugs, or who shall in any manner do any act in violation of any of the rules and regulations of the Premises.

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Tenant shall not disturb, solicit, or canvass any occupant of the Premises and shall cooperate to prevent same.

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Tenant agrees to assume responsibility for compliance by its employees with the parking provision contained herein. Tenant hereby authorizes Landlord at Tenant's sole expense to tow away from the Complex any vehicle belonging to Tenant or Tenant's employees parked in violation of these provisions, or to attach violation stickers or notices to such vehicle. Tenant shall use the parking areas for vehicle parking only, and shall not use the parking areas for storage.

Landlord's initials

Tenant's initials

INTUIT INC.

1996 EMPLOYEE STOCK PURCHASE PLAN

As Adopted on October 7, 1996
As Amended July 30, 1997

1. ESTABLISHMENT OF PLAN. Intuit Inc., a Delaware corporation (the "Company"), proposes to grant options for purchase of the Company's Common Stock, \$0.01 par value, to eligible employees of the Company and its Subsidiaries (as hereinafter defined) pursuant to this Employee Stock Purchase Plan (this "Plan"). For purposes of this Plan, "Parent Corporation" and "Subsidiary" (collectively, "Subsidiaries") shall have the same meanings as "parent corporation" and "subsidiary corporation" in Sections 424(e) and 424(f), respectively, of the Internal Revenue Code of 1986, as amended (the "Code"). The Company intends this Plan to qualify as an "employee stock purchase plan" under Section 423 of the Code (including any amendments to or replacements of such Section), and this Plan shall be so construed. Any term not expressly defined in this Plan but defined for purposes of Section 423 of the Code shall have the same definition herein. A total of 300,000 shares of the Company's Common Stock is reserved for issuance under this Plan. Such number shall be subject to adjustments effected in accordance with Section 14 of this Plan.

2. PURPOSE. The purpose of this Plan is to provide employees of the Company, or of any Subsidiary designated by the Board of Directors of the Company (the "Board") as eligible to participate in this Plan, with a convenient means of acquiring an equity interest in the Company through payroll deductions, to enhance such employees' sense of participation in the affairs of the Company and Subsidiaries, and to provide an incentive for continued employment.

3. ADMINISTRATION. This Plan shall be administered by a committee appointed by the Board (the "Committee"). If two or more members of the Board are "Outside Directors" within the meaning of Code Section 162(m), the Committee will be comprised of at least two (2) members of the Board, all of whom are Outside Directors. As used in this Plan, references to the "Committee" shall mean either such committee or the Board if no committee has been established. Subject to the provisions of this Plan and the limitations of Section 423 of the Code or any successor provision in the Code, all questions of interpretation or application of this Plan shall be determined by the Committee and its decisions shall be final and binding upon all participants. Members of the Committee shall receive no compensation for their services in connection with the administration of this Plan, other than standard fees as established from time to time by the Committee for services rendered by Committee members serving on Board committees. All expenses incurred in connection with the administration of this Plan shall be paid by the Company.

4. ELIGIBILITY. Any employee of the Company, or of any Subsidiary designated by the Board as eligible to participate in this Plan, is eligible to participate in an Offering Period (as hereinafter defined) under this Plan except the following:

(a) employees who are not employed by the Company or Subsidiaries fifteen (15) days before the beginning of such Offering Period;

(b) employees who are customarily employed for less than twenty (20) hours per week;

(c) employees who are customarily employed for less than five (5) months in a calendar year;

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

An individual who provides services to the Company, or any designated Subsidiary, as an independent contractor shall not be considered an "employee" for purposes of this Section 4 or this Plan, and shall not be eligible to participate in the Plan, except during such periods as the Company or the designated Subsidiary, as applicable, is required to withhold U.S. federal employment taxes for the individual. This exclusion from participation shall apply even if the individual is reclassified as an employee, rather than an independent contractor, for any purpose other than U.S. federal employment tax withholding."

5. OFFERING DATES. The offering periods of this Plan (each, an "Offering Period") shall be of six (6) months duration commencing on January 1 and July 1 of each year and ending on June 30 and December 31 of each year. Within such guidelines, the Board shall determine the first day of the initial Offering Period. The first business day of each Offering Period is referred to as the "Offering Date". The last business day of each Offering Period is referred to as the "Purchase Date". The Board shall have the power to change the duration of Offering Periods with respect to future offerings without stockholder approval if such change is announced at least fifteen (15) days prior to the scheduled beginning of the first Offering Period to be affected.

6. PARTICIPATION IN THIS PLAN. Eligible employees may become participants in an Offering Period under this Plan on the first Offering Date after satisfying the eligibility requirements by delivering a subscription agreement to the Company not later than fifteen (15) days before such Offering Date unless a later time for filing the subscription agreement authorizing payroll deductions is set by the Committee for all eligible employees with respect to a given Offering Period. An eligible employee who does not deliver a subscription agreement to the Company by such date after becoming eligible to participate in such Offering Period shall not participate in that Offering Period or any subsequent Offering Period unless such employee enrolls in this Plan by filing a subscription agreement with the Company not later than fifteen (15) days preceding a subsequent Offering Date. Once an employee becomes a participant in an Offering Period, such employee will automatically participate in the Offering Period commencing immediately following the last day of the prior Offering Period unless the employee withdraws or is deemed to withdraw from this Plan or terminates further participation in the Offering Period as set forth in Section 11 below. Such participant is not required to file any additional subscription agreement in order to continue participation in this Plan.

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

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

- (a) The fair market value on the Offering Date; or
- (b) The fair market value on the Purchase Date;

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

For purposes of this Plan, the term "Fair Market Value" means as of any date, the value OF a share of the Company's Common Stock determined as follows:

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

- (b) if such Common Stock is publicly traded and is then listed on a national securities exchange, its last

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

- (c) if such Common Stock is publicly traded but is not quoted on the Nasdaq National Market or listed or admitted to trading on a national securities exchange, the average of the closing bid and asked prices on such date, as reported in The Wall Street Journal, for the over-the-counter market; or
- (d) if none of the foregoing is applicable, by the Board in good faith.

9. PAYMENT OF PURCHASE PRICE; CHANGES IN PAYROLL DEDUCTIONS; ISSUANCE OF SHARES.

(a) The purchase price of the shares is accumulated by regular payroll deductions made during each Offering Period. The deductions are made as a percentage of the participant's compensation in one percent (1%) increments not less than two percent (2%), nor greater than ten percent (10%) or such lower limit set by the Committee. Compensation shall mean base salary. Payroll deductions shall commence on the first payday following the Offering Date and shall continue to the end of the Offering Period unless sooner altered or terminated as provided in this Plan.

(b) A participant may lower (but not increase) the rate of payroll deductions during an Offering Period by filing with the Company a new authorization for payroll deductions, in which case the new rate shall become effective for the next payroll period commencing more than fifteen (15) days after the Company's receipt of the authorization and shall continue for the remainder of the Offering Period unless changed as described below. Such change in the rate of payroll deductions may be made at any time during an Offering Period, but not more than one (1) change may be made effective during any Offering Period. A participant may increase or decrease the rate of payroll deductions for any subsequent Offering Period by filing with the Company a new authorization for payroll deductions not later than fifteen (15) days before the beginning of such Offering Period.

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

(d) On each Purchase Date, so long as this Plan remains in effect and provided that the participant has not submitted a signed and completed withdrawal form before that date which notifies the Company that the participant wishes to withdraw from that Offering Period under this Plan and have all payroll deductions accumulated in the account maintained on behalf of the participant as of that date returned to the participant, the Company shall apply the funds then in the participant's account to the purchase of whole shares of Common Stock reserved under the option granted to such participant with respect to the Offering Period to the extent that such option is exercisable on the Purchase Date. The purchase price per share shall be as specified in Section 8 of this Plan. Any cash remaining in a participant's account after such purchase of shares shall be carried forward, without interest, into the next Offering Period; provided, however, that in the event that this Plan has been oversubscribed, all funds not used to purchase shares on the Purchase Date shall be returned to the participant, without interest. No Common Stock shall be purchased on a Purchase Date on behalf of any employee whose participation in this Plan has terminated prior to such Purchase Date.

(e) As promptly as practicable after the Purchase Date, the Company shall issue shares for the participant's benefit representing the shares purchased upon exercise of his or her option.

(f) During a participant's lifetime, such participant's option to purchase shares hereunder is exercisable only by him or her. The participant will have no interest or voting right in shares covered by his or her option until

such option has been exercised. Shares issued for the benefit of a participant under this Plan will be issued in the name of the participant or in the name of the participant and his or her spouse.

10. LIMITATIONS ON SHARES TO BE PURCHASED.

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

(b) No more than two hundred percent (200%) of the number of shares determined by using eighty-five percent (85%) of the fair market value of a share of the Company's Common Stock on the Offering Date as the denominator may be purchased by a participant on any single Purchase Date.

(c) No participant shall be entitled to purchase more than the Maximum Share Amount (as defined below) on any single Purchase Date. Not less than thirty (30) days prior to the commencement of any Offering Period, the Committee may, in its sole discretion, set a maximum number of shares which may be purchased by any employee at any single Purchase Date (hereinafter the "Maximum Share Amount"). In no event shall the Maximum Share Amount exceed the amounts permitted under Section 10(b) above. If a new Maximum Share Amount is set, then all participants must be notified of such Maximum Share Amount not less than fifteen (15) days prior to the commencement of the next Offering Period. Once the Maximum Share Amount is set, it shall continue to apply with respect to all succeeding Offering Periods unless revised by the Committee as set forth above.

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

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

11. WITHDRAWAL.

(a) Each participant may withdraw from an Offering Period under this Plan by signing and delivering to the Company a written notice to that effect on a form provided for such purpose. Such withdrawal may be elected at any time at least fifteen (15) days prior to the end of an Offering Period.

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

12. TERMINATION OF EMPLOYMENT. Termination of a participant's employment for any reason, including retirement, death or the failure of a participant to remain an eligible employee, immediately terminates his or her participation in this Plan. In such event, the payroll deductions credited to the participant's account will be returned to him or her or, in the case of his or her death, to his or her legal representative, without interest. For purposes of this Section 12, an employee will not be deemed to have terminated employment or failed to remain in the continuous employ of the Company in the case of sick leave, military leave, or any other leave of absence approved

by the Committee; provided that such leave is for a period of not more than ninety (90) days or reemployment upon the expiration of such leave is guaranteed by contract or statute.

13. RETURN OF PAYROLL DEDUCTIONS. In the event a participant's interest in this Plan is terminated by withdrawal, termination of employment or otherwise, or in the event this Plan is terminated by the Board, the Company shall promptly deliver to the participant all payroll deductions credited to such participant's account. No interest shall accrue on the payroll deductions of a participant in this Plan.

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

In the event of the proposed dissolution or liquidation of the Company, the Offering Period will terminate immediately prior to the consummation of such proposed action, unless otherwise provided by the Board. The Board may, in the exercise of its sole discretion in such instances, declare that the options under this Plan shall terminate as of a date fixed by the Board and give each participant the right to exercise his or her option as to all of the optioned stock, including shares which would not otherwise be exercisable. In the event of a proposed sale of all or substantially all of the assets of the Company, or the merger or consolidation of the Company with or into another corporation, each option under this Plan shall be assumed or an equivalent option shall be substituted by such successor corporation or a parent or subsidiary of such successor corporation, unless the Board determines, in the exercise of its sole discretion and in lieu of such assumption or substitution, that the participant shall have the right to exercise the option as to all of the optioned stock. If the Board makes an option exercisable in lieu of assumption or substitution in the event of a merger, consolidation or sale of assets, the Board shall notify the participant that the option shall be fully exercisable for a period of twenty (20) days from the date of such notice, and the option will terminate upon the expiration of such period.

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

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

16. REPORTS. Individual accounts will be maintained for each participant in this Plan. Each participant shall receive promptly after the end of each Offering Period a report of his or her account setting forth the total payroll deductions accumulated, the number of shares purchased, the per share price thereof and the remaining cash balance, if any, carried forward to the next Offering Period.

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Intuit Inc.
1996 Employee Stock Purchase Plan

17. NOTICE OF DISPOSITION. Each participant shall notify the Company if the participant disposes of any of the shares purchased in any Offering Period pursuant to this Plan if such disposition occurs within two (2) years from the Offering Date or within one (1) year from the Purchase Date on which such shares were purchased (the "Notice Period"). Unless such participant is disposing of any of such shares during the Notice Period, such participant shall keep the certificates issued to him or her that represent shares purchased hereunder in his or her name (and not in the name of a nominee) during the Notice Period. The Company may, at any time during the Notice Period, place a legend or legends on any certificate representing shares acquired pursuant to this Plan requesting the Company's transfer agent to notify the Company of any transfer of the shares. The obligation of the participant to provide such notice shall continue

notwithstanding the placement of any such legend on the certificates.

18. NO RIGHTS TO CONTINUED EMPLOYMENT. Neither this Plan nor the grant of any option hereunder shall confer any right on any employee to remain in the employ of the Company or any Subsidiary, or restrict the right of the Company or any Subsidiary to terminate such employee's employment.

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

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

21. TERM; STOCKHOLDER APPROVAL. This Plan shall become effective on the date that it is adopted by the Board. This Plan shall be approved by the stockholders of the Company, in any manner permitted by applicable corporate law, within twelve (12) months before or after the date this Plan is adopted by the Board. No purchase of shares pursuant to this Plan shall occur prior to such stockholder approval. This Plan shall continue until the earlier to occur of (a) termination of this Plan by the Board (which termination may be effected by the Board at any time), (b) issuance of all of the shares of Common Stock reserved for issuance under this Plan, or (c) ten (10) years from the adoption of this Plan by the Board.

22. DESIGNATION OF BENEFICIARY.

(a) A participant may file a written designation of a beneficiary who is to receive any shares and cash, if any, from the participant's account under this Plan in the event of such participant's death subsequent to the end of an Offering Period but prior to delivery to him of such shares and cash. In addition, a participant may file a written designation of a beneficiary who is to receive any cash from the participant's account under this Plan in the event of such participant's death prior to a Purchase Date.

(b) Such designation of beneficiary may be changed by the participant at any time by written notice. In the event of the death of a participant and in the absence of a beneficiary validly designated under this Plan who is living at the time of such participant's death, the Company shall deliver such shares or cash to the executor or administrator of the estate of the participant, or if no such executor or administrator has been appointed (to the knowledge of the Company), the Company, in its discretion, may deliver such shares or cash to the spouse or to any one or more dependents or relatives of the participant, or if no spouse, dependent or relative is known to the Company, then to such other person as the Company may designate.

23. CONDITIONS UPON ISSUANCE OF SHARES; LIMITATION ON SALE OF SHARES. Shares shall not be issued with respect to an option unless the exercise of such option and the issuance and delivery of such shares pursuant thereto shall comply with all applicable provisions of law, domestic or foreign, including, without limitation, the Securities

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Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder, and the requirements of any stock exchange or automated quotation system upon which the shares may then be listed, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

24. APPLICABLE LAW. The Plan shall be governed by the substantive laws (excluding the conflict of laws rules) of the State of California.

25. AMENDMENT OR TERMINATION OF THIS PLAN. The Board may at any time amend, terminate or extend the term of this Plan, except that any such termination cannot affect options previously granted under this Plan, nor may any amendment make any change in an option previously granted which would adversely affect the right of any participant, nor may any amendment be made without approval of the stockholders of the Company obtained in accordance with Section 21 hereof within twelve (12) months of the adoption of such amendment (or earlier if required by Section 21) if such amendment would:

(a) increase the number of shares that may be issued under this Plan;

(b) change the designation of the employees (or class of employees) eligible for participation in this Plan; or

(c) constitute an amendment for which stockholder approval is required by any stock exchange or automated quotation system upon which the shares may then be listed.

INTUIT INC.

COMPUTATION OF NET INCOME (LOSS) PER SHARE
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)<TABLE>
<CAPTION>

	YEAR ENDED JULY 31,		
	1995	1996	1997
	-----	-----	-----
<S>	<C>	<C>	<C>
PRIMARY			
Computation of common and common equivalent shares outstanding:			
Weighted average common shares outstanding.....	41,411	45,149	46,424
Equivalent shares issuable upon exercise of options...	--	--	1,024
	-----	-----	-----
Shares used in computing per share amounts.....	41,411	45,149	47,448
	=====	=====	=====
Loss from continuing operations.....	\$ (44,296)	\$ (14,355)	\$ (2,932)
Loss from discontinued operations.....	--	(6,344)	--
Gain from sale of discontinued operations.....	--	--	71,240
	-----	-----	-----
Net income (loss).....	\$ (44,296)	\$ (20,699)	\$ (68,308)
	=====	=====	=====
Net loss per share from continuing operations.....	\$ (1.07)	\$ (0.32)	\$ (0.06)
Net loss per share from discontinued operations.....	--	(0.14)	--
Net income per share from sale of discontinued operations.....	--	--	1.50
	-----	-----	-----
Net income (loss) per share.....	\$ (1.07)	\$ (0.46)	\$ 1.44
	=====	=====	=====

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LIST OF REGISTRANT'S SUBSIDIARIES

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ENTITY	STATE/COUNTRY OF INCORPORATION
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Greenco Subsidiary Corporation.....	Delaware
Interactive Insurance Services Corp.....	Virginia
Intuit Lender Services, Inc.....	Delaware
Quicken Investment Services, Inc.....	Delaware
Intuit Canada Limited.....	Canada
Intuit Deutschland GmbH.....	Germany
Intuit Ltd.....	United Kingdom
Intuit K.K.....	Japan
Intuit France S.A.....	France
Intuit (AUS) Pty. Ltd.....	Australia

</TABLE>

CONSENT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statements (Form S-8 No. 33-59458, No. 33-95040, No. 33-73222, No. 333-06889, No. 333-14715, No. 333-16827, No. 333-16829, No. 333-20361; Form S-3 No. 33-99646; and Form S-4 No. 33-99644) pertaining primarily to the Intuit Inc. 1993 Equity Incentive Plan, the 1996 Directors Stock Option Plan and the 1996 Employee Stock Purchase Plan and the Common Stock of Intuit Inc., of our report dated August 25, 1997, 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, 1997.

Ernst & Young LLP

Palo Alto, California
October 14, 1997

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