

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, 1998 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)

DELAWARE

77-0034661

(State of Incorporation)

(IRS Employer Identification No.)

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

(650) 944-6000

(Registrant's Telephone Number, including area code)

<TABLE>

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Securities registered pursuant to Section 12(b) of the Act:	<C>	None
Securities registered pursuant to Section 12(g) of the Act:	<C>	Common Stock, \$0.01 par value Preferred Stock Purchase Rights

</TABLE>

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, 1998, there were 59,480,974 shares of the Registrant's common stock, \$0.01 par value, outstanding, which is the only outstanding class of common 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 of \$46.5625 for the common stock as quoted by the Nasdaq National Market on such date), was approximately \$2,439,952,387.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive Proxy Statement for its Annual Meeting of Stockholders to be held in January 1999 are incorporated by reference into Part III of this report on Form 10-K.

FISCAL 1998 FORM 10-K
INTUIT INC.

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PART I
ITEM 1
BUSINESS

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 we "expect," we "anticipate" or we "believe" are forward-looking statements. Investors should be aware that actual results may differ materially from our expressed expectations because of risks and uncertainties about the future. 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 discussed throughout this Form 10-K. Investors should read all of these risks carefully, and should pay particular attention to risks affecting the following areas: competition (page 15); our strategy and implementation with respect to the Internet and our Internet-based businesses, including but not limited to our ability to operationally support and manage these new businesses (page 8); the timing of availability for future products and services, including availability of our online payroll service (pages 9 and 13); market growth, sales of new products and customer upgrade rates, including but not limited to sales and upgrade rates for our new QuickBooks(R) multi-user product (pages 9 and 13); the value and size of our equity investments in other companies, including Checkfree Corporation and Excite, Inc. (Notes 1 and 17 of the financial statement notes on pages 43 and 58); our ability to achieve Year 2000 readiness in our business operations, our products and our dealings with significant third parties (page 34); the expected impact of our recent acquisition of Lacerte Software Corporation and Lacerte Educational Services Corporation (now called Lacerte Educational Services, Inc.) (page 4); our relationships with retailers and other issues with respect to our distribution channels (pages 14 and 15); international operations (page 12); our regulated businesses (page 18); customer service and technical support (page 17); regulatory changes (page 18); and the impact of acquisitions generally (pages 26 and 33).

BUSINESS OVERVIEW

BUSINESS STRATEGY AND FISCAL 1998 HIGHLIGHTS

Intuit's mission is to revolutionize the way individuals, small businesses and financial professionals manage their finances. We provide a range of small

business accounting, tax preparation and consumer finance desktop software, financial supplies (such as computer checks, envelopes and invoices), and Internet products for individuals and small businesses. Our products and services include QuickBooks(R), the leading small business accounting software; TurboTax(R), the leading personal tax preparation software; our popular ProSeries(R) and Lacerte(TM) professional tax products; Quicken(R), the leading personal finance software; and the Quicken.com(SM) website, one of the fastest growing online financial sites on the Internet. Our revenues come primarily from the United States, Japan, Germany, Canada and the United Kingdom. We sell products through retail distribution channels and direct sales to customers, as well as through electronic distribution channels such as our Quicken Store website.

The Internet is a pervasive force that has reshaped our business and is providing new opportunities and challenges. We recently made some major changes to our business strategy to capitalize on these opportunities. While desktop software and related products and services still provide most of our revenue, our Internet-based businesses are growing rapidly, and the Internet has become an integral part of our business strategy in all of our business divisions. In addition, we intend to provide a broader range of products and services targeted at the small business community, a market that we believe has significant growth potential.

We are currently focusing our strategic efforts in three directions. First, we have added Internet connectivity to our tax, small business and personal finance desktop software. Second, we have created, and are substantially expanding, new Internet-based resources and businesses in order to establish Intuit as a premier provider of personal and business financial information and services on the Internet. Third, we are expanding our small business offerings.

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Our primary business objective during fiscal 1998 was to make progress on the three strategic efforts described above, while still delivering solid financial performance to our stockholders. These are some of our major events for fiscal 1998:

- - Increased traffic, service offerings and aggregated content on our Quicken.com personal finance website, through strategically important distribution relationships, continuing product and service development and the launch of marketplaces for mortgages and auto insurance
- - Launched the first multi-user version of our QuickBooks Pro(R) small business accounting software
- - Expanded one of our most profitable business areas through the acquisition of Lacerte and its professional tax software product line (financed by a public offering of 10 million shares of Common Stock)
- - Initiated a new focus on employer services for small businesses, with the development of our online payroll service that we introduced on a limited basis in September 1998
- - Returned to profitability in our Quicken desktop business
- - Improved our focus in strategically important areas by selling our Parsons subsidiary

Although fiscal 1998 was a successful year for Intuit in many respects, we continue to face significant challenges and risks. For example, our international operations had a disappointing year relative to our expectations, our Internet businesses are requiring significant levels of investment, and competition is intensifying, particularly for TurboTax and our Internet products. We encourage you to read the entire Form 10-K carefully to better understand our business and our financial results, and the risks and uncertainties we face.

SIGNIFICANT TRANSACTIONS

Strategic Internet Distribution Relationships with Excite, America Online and CNNfn. In June 1997, we entered into an agreement with Excite Inc. to jointly develop, promote and distribute a new online financial channel now called Excite Money and Investing by Quicken.com. The channel debuted in early fiscal 1998. We are the exclusive provider and aggregator of personal financial content for all of Excite's Internet services, and we share revenue from the channel with Excite. See Note 5 of the financial statement notes (page 50) for more details.

In February 1998, we announced a three-year agreement with AOL under which Intuit is the exclusive provider, subject to certain limited exceptions, of online tax preparation and filing, multi-carrier life and auto insurance and multi-lender mortgage services on both the AOL service and AOL.com, which is AOL's default site for Internet access by AOL members. In addition, on AOL.com, Intuit is the primary source of financial content for the Personal Finance Web Channel. We have guaranteed payments to AOL totaling \$30 million over three years, and AOL may also be eligible for additional revenue-sharing after we have recovered certain advances and other amounts. See Note 5 of the financial statement notes (page 50) for more details.

In October 1997, we entered into a five-year agreement with CNNfn, a financial news website, to create a co-branded personal finance channel. The channel, which launched in December 1997, includes business news and financial information. In exchange for marketing fees paid to CNNfn, we receive a share of certain revenues from the site.

Our relationships with Excite, AOL and CNNfn have helped us increase the customer base for our Internet-based products, and we expect this benefit to continue. This should help us attract more financial institutions to participate in the online financial products that we offer and eventually generate increasing revenue for us from a combination of advertising and transaction fees. During fiscal 1998, page views per month on our Quicken.com website increased from 16 million to 90 million. Advertising sales also increased significantly during fiscal 1998, although they are still not material. While we are encouraged by these results, we can't be certain that these growth levels can be sustained. See "Risks of Internet Commerce," on page 8.

Acquisition of Lacerte. On June 22, 1998, we acquired substantially all of the assets and liabilities of Lacerte Software Corporation and Lacerte Educational Services Corporation (now called Lacerte Educational Services, Inc.), for a price of \$400 million in cash. We financed the acquisition with a public offering of Common Stock in

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the fourth quarter of fiscal 1998. See MD&A (page 26) and Notes 3 and 8 of the financial statement notes (pages 49 and 54) for details about the acquisition and the offering. Lacerte is a leading provider of tax preparation software and services for tax professionals. We believe that the acquisition may give us several strategic benefits. First, we believe it will contribute to our recurring revenue base, since users of Lacerte's products (like users of our ProSeries tax products), must purchase annual updates that reflect changes in tax law and tax forms. Currently a very high percentage of Lacerte's customers renew their licenses each year. Second, Lacerte has been a highly profitable company, and to the extent that we can sustain its profitability, it could make a significant contribution to our earnings. Third, we believe that the acquisition will enable us to compete more effectively with other large providers of professional tax preparation software. As the complexity of professional tax products increases, our annual cost of producing and supporting these products also increases. We believe it is important to expand our customer base and sales volume in order to improve our competitive position, and Lacerte had approximately 30,000 customers as of March 31, 1998. Fourth, we expect the acquisition to strengthen our presence in the professional income tax compliance market. Although the Intuit ProSeries product line and Lacerte's product line are both designed for tax professionals, they function differently and can provide complementary solutions for different practitioner preferences.

Our acquisition of Lacerte poses a number of risks that could adversely affect our ability to achieve the anticipated benefits. We currently intend to have Lacerte operate as a separate entity, with separate sales and marketing, research and development, customer support and administrative organizations. This may create operating inefficiencies and communication difficulties. These challenges may be exacerbated by the fact that Lacerte is located in Texas, where we have not had any material operations. The resources required to establish relationships with, and procedures for communicating with, Lacerte may affect our ability to successfully pursue other opportunities for a period of time. The departure of key Lacerte employees or significant numbers of Lacerte employees, which is a risk with any acquisition, would negatively affect us. Lacerte customers may be uncertain about our plans and ability to support both Lacerte's products and our existing ProSeries software, and this could hinder our ability to retain these customers, which would negatively affect us. Lacerte is in the process of a major product line transition that will require significant development efforts. The departure of engineers, or other difficulties caused by the acquisition, could hinder Lacerte's ability to successfully complete this development. If, in the future, Intuit and Lacerte decide to integrate their operations, the integration could present a number of risks and divert management's attention from other matters.

We assumed substantially all of the liabilities related to Lacerte's business with the exception of certain tax liabilities. If unanticipated liabilities are discovered later, we will likely have to satisfy those liabilities, which could have a material adverse effect on our operating results. The acquisition resulted in a one-time charge for in-process research and development of \$53.8 million in fiscal 1998 and will result in \$358.2 million of amortization expenses over the next three to five years. See MD&A, page 33, and Note 3 of the financial statement notes (page 49), for a more detailed discussion of the financial impact of the Lacerte acquisition.

Other Recent Acquisitions and Divestitures. During the past few years we made several other acquisitions to expand our business more rapidly in selected areas, and we have sold businesses that no longer support our corporate strategy. We acquired two Japanese companies that make small business accounting software, and two companies that have been important to the growth of our

Quicken.com website. We sold our banking and bill payment processing subsidiary (Intuit Services Corporation) and our direct marketing consumer software subsidiary (Parsons) to allow us to increase our focus in strategically important areas. These transactions have had, and will continue to have, a significant impact on our financial results, and they may make period-to-period comparisons of our financial results less meaningful. For more details about these transactions and their impact, see Notes 3 and 4 of the financial statement notes, beginning on page 48.

While we believe our recent acquisitions were in the best interests of Intuit and its stockholders, there are significant risks associated with these transactions. The acquisitions have expanded our size, product lines, personnel and geographic locations. Our ability to integrate and organize these new businesses has required improvements in our operational, financial and management information systems, and further improvements will be necessary to address issues presented by growth through acquisitions. Our acquisitions have also resulted in significant amortization expenses, including amortization of purchased software (reflected in cost of goods sold) and amortization of

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goodwill and purchased intangibles (reflected in operating expenses), as well as charges for purchased research and development. These expenses have had a negative impact on our operating results, resulting in a reduction in net income of \$46.5 million in fiscal 1996, \$34.6 million in fiscal 1997 and \$44.3 million in fiscal 1998. Based on acquisitions completed as of July 31, 1998, future amortization will reduce net income (after tax) by approximately \$78.5 million, \$72.8 million and \$61.6 million for the years ending July 31, 1999 through 2001, respectively. If we complete additional acquisitions in the future, there could be an incremental negative impact on operating results. See MD&A, pages 32-33.

Web-based Finance Joint Venture. In May 1998, we participated in the formation of a joint venture company, Venture Finance Software Corp. ("VFSC") that is developing certain Web-oriented finance products. In exchange for our equity interest in VFSC, we granted VFSC licenses to certain technology and intellectual property rights. VFSC is receiving cash funding from other investors. Affiliates of Morgan Stanley & Co Incorporated are the principal investors in the joint venture company. In addition, of the \$46 million potential funding for VFSC, venture capital funds managed by Kleiner Perkins Caufield & Byers, of which L. John Doerr, a director of Intuit, is a general partner, have agreed to invest up to \$1 million. We have agreed with VFSC not to compete in certain areas of server-based personal finance for a period of ten years. Intuit is managing the development and commercialization efforts of the joint venture. We have an option to purchase the equity interests of the other investors in VFSC between two and four years after the formation of VFSC. The price to exercise this option would be substantial, and we will also have ongoing amortization expenses if we exercise the option. There are many technological risks involved in the development of Web-oriented finance products, and we can't be certain that the development will be successful or that we will exercise the purchase option. See MD&A (page 33) and Note 5 of the financial statement notes (page 50) for more details about this transaction.

CORPORATE BACKGROUND

Intuit began operations in March 1983 and was incorporated in California in March 1984. In March 1993, we reincorporated in Delaware and completed our initial public offering. 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" or "Intuit" 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.

PRODUCTS AND SERVICES

OVERVIEW

Intuit offers products and services through four principal business divisions:

- - SMALL BUSINESS DIVISION: Accounting software, financial supplies, employer services and other related services
- - TAX DIVISION: Personal, professional and small business tax preparation software, electronic tax return filing, web-based tax preparation and related services
- - CONSUMER FINANCE DIVISION: Personal finance software, websites and marketplaces and related services
- - INTERNATIONAL DIVISION: Small business, tax and consumer finance products in selected foreign markets

Desktop software and related products and services delivered through traditional retail and direct sales channels currently provide most of our revenue, and we expect this to continue for the foreseeable future. (See MD&A, beginning on page 26, for information about revenues for our principal products.) However, we're beginning this description of our products and services with a separate

discussion of our Internet-based activities for two reasons. First, the Internet has become an integral part of our business strategy in all of our business divisions, and consequently, understanding our Internet strategy is necessary for understanding each of the business divisions we have described on pages 9-12. Second, we are providing separate information about our Internet businesses because investors have requested this type of analysis. However, we do not have a separate "Internet" division within the company. We manage our company, and review our internal financial results, based on the four business divisions identified above.

INTERNET COMMERCE

Overview. The Internet is a pervasive force that has fundamentally changed the way we do business. It is becoming increasingly important to all of our business divisions, both as the foundation for new products and services, and as an incremental, cost-effective distribution channel. For example, the Internet is the foundation for our insurance and mortgage marketplaces, the online payroll service for small businesses that we recently introduced, our Quicken Store website where customers can purchase and download desktop software products and obtain customer service, and our technical support website where we can quickly and cost-effectively provide patches for product bugs and provide customers with answers to frequently asked questions.

We use the term Internet commerce to refer to all of our Internet-based business activities. Internet commerce has two components: Internet products and electronic distribution. Internet products include activities where the customer realizes the value of the goods or services directly on the Internet or an Intuit server. Internet product revenues include, for example, advertising revenues generated on our Quicken.com website, online tax preparation and electronic filing revenues, and transaction and processing fees from our online insurance and online mortgage services. Electronic distribution includes revenues generated by electronic ordering and/or delivery of traditional desktop software products and financial supplies.

Business Opportunities. The Internet enables consumers to have greater confidence in making financial decisions by providing them up-to-date, personalized financial information quickly and inexpensively. In addition, the Internet enables financial service firms offering complex financial products to reach new customers in a cost-effective manner. These trends create some compelling business opportunities, and we believe Intuit is in a position to take advantage of these opportunities for several reasons. First, we have expertise in building technical systems that simplify complex financial matters for consumers and small businesses. Second, we have a large base of financially sophisticated customers. Third, we have strong brand name recognition and loyalty. Our objective is to use these strengths to establish Intuit as a premier provider of personal and business financial information and services on the Internet.

Strategy and Implementation. There are four main components to our Internet strategy:

- - Invest in new, entirely Web-based businesses
- - Integrate online, Web-based resources into our desktop software products
- - Put desktop software functionality onto the Internet
- - Increase our presence on the Internet by establishing strategic distribution relationships and improving brand awareness for our Internet offerings

During fiscal 1998, we made significant progress in implementing our Internet strategy. We launched QuickenMortgage(SM), our consumer mortgage service, in November 1997, and expanded the scope and depth of our InsureMarket(R) site. Many of our desktop products released during fiscal 1998 have direct links to Quicken.com and have embedded Web "browser" software to simplify Web access. We expanded the software tools and financial information available on our Quicken.com website. We launched our Web TurboTax online tax preparation service (formerly TurboTax Online) in February 1998, and our Web-based electronic filing for our desktop and online tax products. We established important relationships with leading Internet media companies (such as Excite), online services providers (such as America Online) and Internet-based financial networks (such as CNNfn).

We currently measure the success of our Internet activities in a variety of ways, including the following four measures:

- - Revenues. Revenues from Internet commerce more than doubled during the past fiscal year.
- - Page views. Monthly page views for our Quicken.com site (measured internally by Intuit) increased from 16 million at the end of fiscal 1997 to 90 million at the end of fiscal 1998.
- - Reach. Household reach, as measured by Media Metrix, increased from 2.4% of Internet households in July 1997 to 4.2% in July 1998.

- - Financial institution participation. Participation increased 35% during fiscal 1998, to more than 50 mutual fund companies, brokerage firms, lenders and insurance companies that provide products and services through our Quicken.com site.

Although we have made significant progress in each of these areas during the past year, investors should be aware that initial success achieved in these areas will not necessarily result in improved financial results. We believe that the dramatic growth of the Internet and the Web will give us significant opportunities to grow our revenue over the next several years. However, revenue from Internet commerce was only 8% of our total revenue during fiscal 1998 (6% for Internet products and 2% for electronic distribution). Our Internet-related expenses have been, and will continue to be, significant. We can't predict if or when Internet commerce will generate meaningful revenue or profits.

Risks of Internet Commerce. We face many risks in pursuing our Internet strategy, particularly for our Internet products. The Internet represents a new business model for Intuit, where revenues come from advertising, marketing, transaction and processing fees, instead of software product sales. Website traffic is an important foundation for this business model. We have made significant progress in increasing traffic to Quicken.com through our relationships with Excite, AOL and others. However, we may need to establish additional relationships to help us to increase advertising revenue as well as to continue increasing traffic. This may be difficult, especially given the relatively limited number of leading Internet companies. If our competitors establish relationships with these companies (particularly exclusive relationships), our ability to expand our Internet businesses could be hindered. Even if we establish these relationships, we can't be certain that they will result in significant increases in revenue.

We need to quickly and successfully build new skills as a website developer and publisher, which are complementary but different skills from desktop software development skills. In particular, development cycles for Web-based products are extremely short and irregular, while desktop software products generally have much longer and more predictable development and release cycles. We must continue to develop new and continually evolving operational infrastructures to support and manage our Internet-based businesses and the complex operational requirements of our strategic Internet relationships. The rapid pace of change in this area creates unique risks, and we may be unable to manage costs effectively and/or to meet customer expectations.

We face intense competition for our Internet products. In several businesses, there are very low barriers to entry, and the market is extremely fragmented, making it difficult for any one company to acquire the scale that is necessary (although not, by itself, sufficient) to begin generating any meaningful revenue or profits. Many of our competitors are either large companies that can afford major investments in these businesses, or small privately held companies that can benefit from a much narrower product focus than Intuit, and whose shareholders will tolerate significant and extended operating losses.

Customers may refuse to transact business over the Internet due to privacy or security concerns. 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 use does not grow as a result of privacy or security concerns, or for other reasons, our Internet-based businesses would be seriously adversely affected.

In September 1996, we decided to move from a proprietary electronic communications link between our software and financial institutions, to an Internet-based link based on a standard called Open Financial Exchange (referred to as "OFX"). To some degree, expansion of our desktop product connectivity initiatives depends on industry adoption of OFX as a connectivity standard. While we believe that OFX is the right strategic approach for Intuit, we face risks and challenges in implementing it. Financial institutions may not accept and implement OFX as rapidly as we would like, or they may adopt alternative connectivity standards that may not support interoperability with OFX. If OFX is not adopted by many financial institutions, we may need to incur significant expenses to alter our products to conform to other evolving standards.

Because our Internet-based products are available in many states and foreign countries, we may be subject to regulation and taxation in many additional jurisdictions. Also, to the extent that states or foreign countries are

generally successful in their efforts to impose taxes on Internet commerce, the growth of the use of the Internet could slow substantially, which could have an adverse effect on the growth of our Internet-based businesses. If Internet activity becomes heavily regulated in other respects, that could have major

negative consequences for our Internet-based businesses.

SMALL BUSINESS DIVISION

We believe that the small business market provides excellent opportunities for growing our business, both through increasing our customer base and through increasing the range of offerings we provide to small business customers. Expanding our small business offerings is one of our primary strategic objectives. These are the major products and services offered by our Small Business Division:

QuickBooks and QuickBooks Pro Software. Our QuickBooks product line 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 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, and/or that are looking for a multi-user product.

In June 1998, we launched version 6.0 of our QuickBooks and QuickBooks Pro products. QuickBooks Pro 6.0 is our first multi-user accounting software product. We think it represents a good business opportunity because the multi-user feature has been the most frequent customer request over the past few years. However, there are a number of risks we face in capitalizing on this opportunity. For example, the relatively high price we charge for the multi-user product (approximately \$219 per user, with 5-user packs for \$600), may make it more difficult to persuade retailers to devote generous shelf space to the product and maintain a significant inventory. The product upgrade rate among existing customers may be lower than upgrade rates we have experienced with prior QuickBooks launches because users that don't require a multi-user product may choose not to upgrade at this point. In addition, we may have increased technical support costs if users need additional support because of the more complex multi-user features.

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, envelopes, invoices, business forms, deposit slips and rubber stamps. In September 1997, we launched a supplies website to enable customers to order supplies online, which has reduced order fulfillment costs and increased customer satisfaction. By the end of fiscal 1998, approximately 10% of supplies orders were generated by the website. See MD&A, beginning on page 26, for more details.

In September 1995, we entered into an exclusive five-year contract with John H. Harland Co. to print all of our check products, which accounted for about 75% of our supplies revenue in fiscal 1998. We believe our relationship with Harland is strong, and the financial terms of the contract are favorable for Intuit. However, if we experience any problems with Harland's performance, it could have a material negative impact on sales of supplies and on Intuit as a whole.

Online Payroll Service. As part of our focus on expanding our small business offerings by providing employer services that complement our desktop software, in September 1998 we introduced a new online payroll service. The service is currently available to a limited number of customers, with broader availability expected in December 1998. The service handles all aspects of payroll processing, including calculation and electronic depositing of federal and state payroll tax withholdings, electronic direct deposit of paychecks, preparation and filing of quarterly and annual payroll tax returns and creation of employee W-2s. The service uses payroll data entered by customers into their QuickBooks 6.0 files and transmitted to Intuit electronically, so customer effort is minimized. While entering this business gives us a significant opportunity to increase revenues, there are also risks. It's possible that the expanded availability of the service may be delayed. In addition, all of the processing for these payroll services is performed for Intuit by Computing Resources Inc. ("CRI"), a third party service provider, so our relationship with CRI is crucial to the success of the service. While CRI has performed payroll processing for over 20 years, it has historically handled a significantly lower volume than we may experience if the subscriptions to the payroll service meet our expectations. Since CRI is the sole provider of these processing services, any failure of CRI to perform

these services would prevent us from providing payroll services to our customers until a substitute provider could take over CRI's functions, and finding an alternate provider could be a lengthy process. We expect that customers will have very little tolerance for untimely or inaccurately processed payroll information. Failure to provide uninterrupted, accurate services to our customers, whether due to CRI's failure to perform, or any other problem with the payroll service, would have a serious impact on our ability to retain customers or attract new customers, could require us to make significant payments to customers under our service guarantee, and could also give rise to other customer claims against us. We are also incurring significant start-up costs to initiate this service, including costs to establish the operational

infrastructure to manage and support a service business, which is different from our traditional desktop software infrastructure. See MD&A, page 26, for more details.

QuickBooks Support Network ("QBSN"). QBSN is our fee-for-support program for QuickBooks users. The program reflects our belief that high-quality customer support tailored to the specific requirements of small businesses can be a profitable and strategically important business, rather than simply an operating expense. During fiscal 1998, we expanded and refined QBSN to improve the quality of the services provided.

Small Business Website. In March 1998, we launched Small Business by Quicken.com, a website that addresses the specific needs of small businesses. Our current goal is to build relationships with current and potential small business customers by providing information, tools and community discussion opportunities. The site currently offers Quicken Business CashFinder(SM), a tool to help small businesses obtain loans and to assist financial institutions in reaching small business customers. The site is a top level channel on Excite, and is also accessible directly from QuickBooks 6.0 products and our Quicken.com site. Small business website revenues come from advertising, sponsorship and transaction fees, but they are not expected to be material, or to offset expenses of the site, for the foreseeable future.

TAX DIVISION

We offer a broad range of federal and state tax preparation software for individuals, tax professionals and small businesses. Our tax business has been a fairly predictable source of recurring revenue (with customers buying new products every year), as well as a very seasonal business. These are the major products and services offered by our Tax Division:

Personal Tax Software. Our TurboTax products (for Windows) and MacInTax(R) products (for the Macintosh) are designed for individual consumers who prepare their own tax returns. Our tax products are designed to be easy to use, but sophisticated enough for complicated tax returns.

Professional Tax Software. Our ProSeries and Lacerte tax products are designed for tax professionals who prepare individual, business, estate, trust and gift tax returns for their individual and business clients. We acquired the Lacerte professional tax product line in June 1998. We believe the two product lines provide complementary solutions for differing practitioner preferences, with our ProSeries products emphasizing ease-of-use and data entry on government form facsimiles, and the Lacerte products emphasizing efficiency and customer-tailored data sheet entry. See "Acquisition of Lacerte," on page 4, for more details about the acquisition. Customers can elect to license professional tax products for a single fee for unlimited annual use or to use them on a "pay-per-return" basis.

Small Business Tax Software. For small business owners that prepare their own business tax returns, we offer TurboTax for Business and MacInTax for Business. TurboTax for Business can import data directly from QuickBooks accounting software.

Electronic Filing Service. Users of our desktop tax software can file their federal (and many state) tax returns electronically through our proprietary electronic filing center. The total number of electronically filed returns for all of our tax products rose significantly from fiscal 1997 to fiscal 1998.

Web-Based Tax Preparation Service. In February 1998, we launched Web TurboTax (formerly called TurboTax Online), a Web-based interactive tax preparation solution that allowed individual taxpayers to prepare and electronically file their Form 1040A and Form 1040EZ federal income tax returns entirely online. We have not

experienced any significant technical problems with our Web-based electronic filing or online tax preparation products. However, the dramatic increase in demand for tax preparation and electronic filing during the last week of the tax season increases the risk of possible problems. Because of the time sensitivity for filing tax returns, any future problems could cause serious financial and public relations consequences.

In August 1998, we announced the Quicken Tax Freedom Project, a philanthropic public service initiative under which we plan to provide online tax preparation and electronic filing at no charge to lower income federal and state tax filers, specifically those with adjusted gross incomes of \$20,000 or less. Intuit will provide the service through our Web TurboTax product beginning in January 1999. We don't expect that this service will have a material impact on our revenues from our desktop or online tax products, as the average income of our current customers and their clients is well above the \$20,000 income threshold.

CONSUMER FINANCE DIVISION

As indicated below, the Internet had a profound effect in the Consumer Finance Division, which was responsible for most of our Internet products during fiscal 1998. These are the major products and services offered by our Consumer Finance Division:

Quicken Software. 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. Our latest Quicken products incorporate a number of Web integration features, such as direct links to relevant portions of Quicken.com, an embedded Web browser, online banking and bill payment functions, and a feature that allows customers of participating brokerage firms to download brokerage account data and execute securities trades through their broker's website. We just launched our Quicken '99 product line in September 1998, five weeks ahead of our traditional late October release date. The product line includes a new bundled product called Quicken Financial Center, which includes both Quicken Deluxe and TurboTax Deluxe.

Online Transactions. Quicken includes an online banking feature that allows users to download transaction and account information from participating financial institutions directly into their Quicken accounts. We also offer online bill payment through Quicken, with services provided by Checkfree or participating financial institutions. Online revenues come primarily from advertising and marketing fees paid by participating financial institutions.

Quicken.com. Quicken.com is our personal finance website. 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 has offerings designed for small businesses - see "Small Business Website" on page 10.) Quicken.com includes "channels" for Investments, Tax, Insurance, Home/Mortgage and other financial areas. Quicken.com content is created by Intuit and by third party publishers and financial experts. We do not currently charge customers a fee to access Quicken.com, but we receive revenue from financial institutions and other companies that advertise and/or sell their products or services on Quicken.com.

Quicken.com includes our Quicken InsureMarket and QuickenMortgage marketspaces. Marketspaces help buyers find the financial products and services they are seeking, and help providers of financial products and services find new customers. Our Quicken InsureMarket site enables customers to shop for insurance products online. Users can currently apply for and purchase term life insurance from ten national carriers. Auto insurance is currently available from one carrier in eleven states, and we expect to expand the number of carriers and states during fiscal 1999. Our QuickenMortgage site allows consumers to shop for home mortgages online. Users can currently pre-qualify for, and apply for, mortgages from eleven lenders nationwide. We receive initial implementation fees, ongoing annual participation fees and transaction-based fees from insurance carriers and lenders who participate in these marketspaces, and some participating institutions also pay us fees for data processing and other administrative services. We rely on a single third party to perform the back-end processing services for our QuickenMortgage site. Failure of that party to perform these services would require us to discontinue certain aspects of our mortgage

service until an alternative service provider could be located. This would have a serious negative impact on the performance of the QuickenMortgage marketplace.

We believe the long-term success of Quicken.com will depend on our ability to build scale rapidly, which will require us to increase our customer base as quickly as possible, get greater participation by financial institutions and expand the depth and breadth of offerings on the site. We believe that the investments channel is the most important site for increasing advertising and sponsorship participation by financial institutions, since it tends to attract relatively more affluent, financially savvy consumers that financial institutions are seeking for their products and services. Accordingly, expansion of the investments channel content, both through internal development and the acquisition of third party content, has been and will continue to be a high priority. For our marketspaces, participation by financial institutions involves a greater commitment than purchasing advertising, but the marketspaces allow participants to focus on a very specific group of consumers who are already actively seeking the products and services they offer. Although we have devoted significant internal resources to marketplace development efforts, our progress in certain areas has been hampered by technological and other challenges involved in working with large financial institutions. To supplement our internal development efforts, we will also consider acquisitions of, and strategic relationships with, third parties that have technology to enable us to expand our marketspaces more rapidly.

INTERNATIONAL DIVISION

Our International Division is divided into three regions: Japan, Europe and Asia/Pacific. The recent performance of our international operations has been disappointing relative to our expectations. In response, we have restructured certain operations to make them more efficient, and we have narrowed our strategic focus to fewer products (primarily small business products) in fewer markets. We are also investing resources to create personal finance websites in Canada, the United Kingdom and Germany. We do not expect significant growth in our International Division during fiscal 1999.

Japan Region. Our Intuit KK subsidiary in Japan currently offers small business products developed by Milkyway KK (acquired in January 1996) and Nihom Micom (acquired in March 1997) that address the upper and middle segments of the small business market in Japan. Fiscal 1998 results were negatively affected by increasing competition in the high end of the small business accounting market and our late entry into the market for high-end Windows products, as well as adverse economic conditions in Japan and in Asia generally. We are refocusing our efforts on the lower end of the small business market, which we are addressing with a localized version of QuickBooks launched in September 1998. However, the economic conditions and currency exchange rates may continue to have an impact.

Europe 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. During fiscal 1998, we restructured our European region to centralize management operations in Munich. We also outsourced all European customer service, technical support, manufacturing and order fulfillment functions to third party vendors. With our new focus on small business products in selected larger markets, we are devoting fewer resources to consumer finance and tax products, and to smaller geographic markets.

Asia/Pacific Region. Our Asia/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. We offer QuickBooks in Canada, Australia and Hong Kong. We also offer our QuickTax(TM) personal and professional tax products in Canada and Australia. Our Canadian operations enjoyed more success in fiscal 1998 than our other international operations, in terms of both growth and profitability.

Special Risks for International Operations. Developing and localizing products for foreign markets is more time-consuming and costly than developing products for the U.S. market. Recruiting and retaining talented software engineers and managers can be more difficult in our international offices as well. Delays or other problems in product launches may be more likely because of these factors, and we experienced significant product launch delays in fiscal 1996 and fiscal 1998. Economic conditions in international markets can also negatively affect our

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business, as they did in Japan in fiscal 1998 and in Europe in fiscal 1996. Our international revenue and expenses are currently denominated in a variety of foreign currencies and are subject to fluctuations in currency exchange rates. We don't currently engage in any hedging activities. Although currency fluctuations have not had a significant negative impact in the past, this could change in the future if our international operations grow. Other risks that could have a negative impact on our international operations include 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; possible adverse tax consequences including repatriation of earnings; and potentially less protection for our intellectual property rights under foreign laws.

PRODUCT DEVELOPMENT

A primary goal of our development efforts is to design products and services that will appeal to our large existing customer base as well as to new customers. For existing customers we focus on both upgrades of products they already own, and new, complementary products and services. We also focus on products that generate recurring revenue, such as our tax preparation products, financial supplies and our online payroll service. While much of our product development is done internally, we supplement our internal development efforts by acquiring strategically important products and technology from third parties, or establishing other relationships that enable us to expand our business more rapidly.

During the past few years, we have devoted significant resources to developing and expanding new products and services, including our multi-user QuickBooks Pro product, and Internet products such as QuickenMortgage and our online payroll

service. Our total research and development expenses as a percentage of revenue were 14% in fiscal 1996, 16% in fiscal 1997 and 18% in fiscal 1998. Hiring and retaining highly qualified technical employees is critical to the success of our development efforts, particularly in new product areas, and we face intense competition for these employees.

The expansion of our Internet-based products has had a significant impact on our development process. Our desktop software products tend to have a fairly predictable, structured development cycle of about 12-24 months. Once new products are released, they generally are not modified (except to fix "bugs") until the next scheduled product upgrade. The development process for Internet-based products is much more rapid, much less predictable, and has much shorter development cycles. Getting products and services launched quickly is crucial to competitive success, but this time pressure may result in lower product quality. Once launched, Internet-based offerings must be continuously and rapidly updated to incorporate changing technology and customer demands, as well as to fix bugs. In addition, Internet-based products must address customer concerns about privacy and security. We currently incorporate a variety of security measures into our products and services, and we are developing a customer information privacy policy. However, a major breach of customer privacy or security could have serious consequences for us.

The development process for our products and services is complex and involves some risks. Product and service launches can be delayed for a variety of reasons. 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. They can also result in higher technical support costs and lost customers.

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. Tax law change issues also affect our tax table service and our payroll service. We can't predict how complex the tax law changes will be each year, when the changes will be made, or when tax forms included in the products will be available from the IRS and state tax agencies. The rigid development timetable increases the risk of errors in the products. Although fiscal 1998 and 1997 tax product quality was high, in fiscal 1996 we had product defects that led to negative publicity, customer dissatisfaction and incremental operating expenses. We guarantee the accuracy of the tax calculations performed by our federal personal tax products and we have agreed to reimburse any penalties paid by a consumer customer to the Internal Revenue Service solely as a result of miscalculation on a form prepared using our personal tax products. If

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these products contain a calculation error affecting a significant number of consumer customers' returns, we could be subject to liability claims and be required to make substantial payments, and our operating results and financial condition could be materially adversely affected.

The rigid development timetable for tax products also increases the risk of a product launch delay. Since the tax return preparation season is brief, it is imperative that we release tax products as early as possible. A late release in any year could cause our current and prospective customers to choose a competitive product for that year's tax season, making it more difficult for us to sell our products to those customers in future tax seasons.

MARKETING, SALES AND DISTRIBUTION

MARKETS

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.

RETAIL DISTRIBUTION

We market our desktop software in North America through traditional retail software outlets, computer superstores, office and warehouse clubs and general mass merchandisers. We also have OEM, or "original equipment manufacturer," relationships with hardware and software manufacturers who combine our products with their products and sell them to retailers and consumers. Although OEM sales generate little revenue (due to low pricing for OEMs) and reduce operating margins in the short term, they are strategically important because they are a good source of new customers.

In Japan, Europe and other international markets, we rely on distributors, VARs and OEMs, who sell products into the retail channel. In Japan, we expect that our shift in focus to the lower end of the small business accounting market will require us to strengthen our direct relationships with retailers, which will present challenges.

Retail sales revenue represented about 30% of total revenues during fiscal 1996, 27% in fiscal 1997 and 32% in fiscal 1998. The only retailer or distributor that accounted for more than 10% of our net revenue during the past three fiscal years was Ingram Micro Inc. (13% in fiscal 1996, 12% in fiscal 1997 and 15% in fiscal 1998).

There are increasing numbers of companies competing for access to the distribution channels we use. Our arrangements with our distributors and retailers may be terminated by either party at any time without cause. Retailers typically have a limited amount of shelf space and promotional resources, for which there is intense competition. Any termination or significant disruption of our relationship with any of our major distributors or retailers, or a significant reduction in sales volume attributable to any of our principal resellers, could materially adversely affect our results of operations and financial condition. Also, the bankruptcy, deterioration in financial condition or other business difficulties of a distributor or retailer could impact our ability to collect our accounts receivable from the affected party, which could have an adverse effect on our operating results and financial condition.

During fiscal 1998, our personal tax business benefited from particularly strong relationships with several major retailers. However, during the past few years, there has been increasing consolidation among retailers, and we expect this consolidation trend to continue. Consolidation has resulted in a number of large retailers with significant bargaining power. This factor, combined with intense competition for access to retail shelf space and promotional support, has made it challenging for us to negotiate financially favorable terms with retailers. We expect to face even greater challenges in negotiating retail relationships in fiscal 1999 and beyond, particularly given Microsoft's possible entrance into the personal tax market. This could have a negative impact on our future results.

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DIRECT DISTRIBUTION

We believe that mail and telephone direct sales campaigns are an effective way to generate orders and provide opportunities for cross-selling, as well as to stimulate retail demand and increase consumer awareness of our products. Direct sales frequently generate significantly higher revenue per unit than retail sales, but this also means that aggressive retail pricing (such as we have seen in the personal tax area) 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.

ELECTRONIC DISTRIBUTION

Customers can order and receive software products electronically through the Quicken Store, which is accessible through Quicken.com and other Intuit websites. Electronic delivery has been a particularly effective method of distribution for our TurboTax state tax preparation products. Customers can also order financial supplies through our supplies website. Electronic ordering and delivery are convenient for customers and less expensive for Intuit. During fiscal 1998, about 2% of our total desktop software and supplies revenues were generated by products ordered and/or delivered electronically, but we expect this percentage to increase in fiscal 1999.

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. We establish reserves for product returns in our financial statements, based on estimated future returns of products, taking into account promotional activities, the timing of new product introductions, distributor and retailer inventories of our products and other factors. In the past, returns have not generally exceeded the reserves we have established for them. However, if in the future retail sell-through of a major product falls significantly below expectations, or if competitors' promotional or other activities result in increased product returns, returns could exceed the reserves established for them and could have a negative effect on our financial performance. In addition, the rate of product returns could increase as other changes in our distribution channels occur or existing products become obsolete.

During the tax return preparation season, we generally ship significantly more tax products to our distributors and retailers than we expect them to sell during the tax season, in order to reduce the risk that distributors or retailers will run out of products during the short tax season. As a result, we

have historically accepted significant returns of tax products each year, principally from April to September, and we expect to continue to do so in the future.

COMPETITION

OVERVIEW

We face intense competition from many companies in almost all of our business areas, both domestically and internationally. Many of our competitors have significantly greater financial, technical and marketing resources than we do. The most important competitive factors for our desktop software are product features, ease of use, quality and reliability, brand name recognition, timing of product launches compared to competitors (particularly for tax products), price, access to distribution channels and quality of technical support services. For our Internet products, the most important competitive factors are speed in getting new products to market, the ability to distribute them effectively (i.e., generate significant website traffic), brand name recognition, product features and ease of use. We believe we compete effectively on most of these factors, as our three principal desktop software products (Quicken, QuickBooks and TurboTax) are the leading products in their respective markets, and our Quicken.com site is one of the top personal finance sites as measured by household reach statistics published by Media Metrix. However, we always face the risk that competitors will introduce better products and services, reduce prices, gain better access to distribution channels, increase advertising (including advertising targeted at

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Intuit customers), and release new products before we do. Any of these events (particularly any prolonged price competition) could have a material negative impact on our financial performance. They could also affect our ability to keep existing customers and acquire new customers, which is particularly important for our Internet products.

SMALL BUSINESS DIVISION

The major domestic competitor for our small business accounting software is currently Peachtree Software (a division of ADP). A trial version of Peachtree's multi-user product is being "bundled" with Microsoft Office Small Business Edition. Peachtree also has a new product that integrates with Microsoft Office, a feature that QuickBooks does not yet offer. These factors may affect our competitive position. Despite competitive pressures, according to statistics published by PC Data, QuickBooks accounted for an average of about 80% of monthly retail dollar sales of small business accounting software from August 1997 through July 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, as well as with direct mail check printers and banks. In addition, our QuickBooks products have certain features (such as customizable invoicing) that compete with our supplies products. Also, online bill payment services and online payroll services with direct deposit capabilities (including services offered by or through Intuit) offer a competitive alternative to printed checks. Significant competitive factors for the supplies business include ordering convenience, distribution channels, product quality, speed of delivery and price. We believe we compete effectively in most of these areas, but we have experienced increased pricing pressures from many of our competitors. While we have been able to offset some of the impact of price competition by improving operational efficiencies and customer service, at some point continuing price pressures could negatively affect revenue and profitability for our supplies business.

TAX DIVISION

In the personal tax area, our major domestic competitor is currently Block Financial Corporation, the makers of TaxCut software. During fiscal 1997, TaxCut was priced very aggressively, and reached the market earlier than our TurboTax products, which adversely impacted sales of TurboTax. During fiscal 1998, we released TurboTax several weeks earlier than in fiscal 1997, which enabled us to compete more successfully with TaxCut. According to statistics published by PC Data, TurboTax accounted for over 80% of retail dollar sales of PC-based personal tax preparation software during the recent tax season. We expect competition to remain fierce during fiscal 1999. Competition could become particularly intense if Microsoft enters this market with a personal tax product. Microsoft is a formidable competitor, and its presence in the personal tax market would lead to additional pricing pressures, and could adversely impact our ability to negotiate advantageous terms with major retailers.

The professional tax preparation software marketplace is very competitive. Our largest competitors in the U.S. are Commerce Clearing House (CCH), with its Computax product line, and RIA, with its Fast Tax and Creative Solutions

offerings. In the past, professional tax software providers have been highly fragmented, but recent years have seen substantial consolidation. We believe our recent acquisition of Lacerte improves our competitive position in professional tax. See "Acquisition of Lacerte," on page 4, for more details about the acquisition.

Intuit attempts to monitor regulatory and public policy developments that could affect the current business climate. During calendar year 1998, for example, the federal government considered extending current services provided by the IRS - specifically, the free provision of certain tax forms using the Internet. The IRS also sought greater authority in the future to permit taxpayers to fill out government provided tax forms and return them directly to the government, although this would require a significant expansion of the current IRS infrastructure. In the future, federal or state authorities may take actions that lead to greater government competition with the private sector, and legislative simplification of federal or state income tax laws could reduce demand for tax preparation software generally. On the other hand, certain policy changes considered and made during the 1998 Congressional legislative cycle actually removed barriers to electronic filing that had previously hampered taxpayers, and this may benefit Intuit. Future regulatory and legislative activity can enhance or harm Intuit's competitive position, and impact others in the tax preparation industry.

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CONSUMER FINANCE DIVISION

In desktop consumer finance software, Microsoft is currently our primary domestic competitor. Quicken competes directly with Microsoft Money, which is aggressively promoted with free product offers through various distribution channels, and with advertising targeted at Quicken users. These competitive pressures, as well as other factors, have negatively affected Quicken revenue and profitability, particularly during fiscal 1997, when Quicken revenue declined by over 20%. During fiscal 1998, Quicken revenue and profitability improved significantly from fiscal 1997 levels with only a slight decline in our competitive position as measured by retail market share (see MD&A, page 29). According to statistics published by PC Data, Quicken accounted for an average of over 80% of monthly retail dollar sales for personal finance software from August 1997 through July 1998, but we expect competitive pressures to continue.

There are many competitors for our other consumer finance products and services, particularly for our Internet products. We expect that competition will increase as we expand our offerings, and as more companies expand their businesses onto the Internet. Our Quicken.com site competes for traffic with online financial publishers and the financial areas on numerous online services such as Yahoo!, as well as financially-oriented websites such as MSN Investor. We also face competition from financial institutions that are developing their own financial software and websites. Our insurance and mortgage marketplaces compete primarily with smaller companies with a very narrow product focus, but Microsoft is also a competitor in the mortgage area. In addition, in connection with a product development joint venture established by Intuit and certain private investors, we have agreed with the joint venture not to compete in certain areas of Web-based personal finance for a period of ten years. See "Web-based Finance Joint Venture" on page 6. See "Risks for Internet Commerce," on page 8, for a discussion of additional competitive risks for our Internet offerings.

INTERNATIONAL DIVISION

In the small business accounting software market in Japan, our primary competitors are OBC, PCA and Sorimachi. In Europe, we face competition from The Sage Group PLC (based in the United Kingdom) and Microsoft in the small business market. Strong competition in this market may have a more significant impact on our international business in the future, as the focus of our business in Europe is shifting more towards the small business market. We have a number of competitors in international tax, including CCH in Canada and TaxCalc in the United Kingdom. Microsoft is also a competitor in the consumer finance area.

CUSTOMER SERVICE AND TECHNICAL SUPPORT

We provide customer service and technical support by telephone (including automated voice response systems), fax, electronic mail and the Web. We have a full-time customer service and technical support staff that is supplemented by seasonal employees and outsourcing during periods of peak call volumes (such as during the tax return filing season, or shortly after a major product launch). 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 requests for assistance. We may also have an unusually high volume of requests, and be unable to respond promptly, if large numbers of customer order shipments are delayed or if we have product bugs.

During the past few years, we have focused on developing support capabilities that can supplement, or in some situations replace, telephone service and

support. For example, customers who are connected to the Internet can use our website to get answers to commonly asked questions, check on the status of a product order and receive bug fixes electronically. Alternative service and support methods are less expensive for us and are often more efficient and effective for customers as well. These programs, combined with a recent consolidation and restructuring of our technical support facilities, have allowed us to make significant improvement in the efficiency of our service and support operations. See MD&A, page 31.

Beginning in fiscal 1996, we started to institute fee-for-support programs for QuickBooks and for older versions of Quicken. We expanded these programs during fiscal 1997 and 1998, and we have also begun to eliminate support

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for older versions of some products. Revenues from our fee-for-support programs have not been material to date. However, the programs have helped to control technical support costs, and as we expand the QuickBooks Support Network to provide higher-quality support tailored to the specific requirements of small businesses, we believe our customer support operations can become a strategically important revenue source.

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.

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 with the Securities and Exchange Commission and is subject to certain state regulatory laws as well. QISI is responsible for certain of the investment-related features in our products and services. 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 and Quicken Business CashFinder services are offered by a subsidiary called Intuit Lender Services, Inc. (or "ILSI"). ILSI (or one of its officers) currently has a mortgage or loan broker license in each state where we believe licensing is necessary. State laws regulate various aspects of the business operations of ILSI and participating lenders, including advertising, record-keeping and compensation.

Our Quicken products allow customers of participating brokerages to trade securities through their broker's website. Quicken InsureMarket may expand its site to include other insurance products, such as variable annuities, 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 costs for 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. 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.

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, but future claims could.

EMPLOYEES

As of September 30, 1998, Intuit and its domestic subsidiaries had about 2,500 full-time employees, and our international subsidiaries had about 360 full-time employees. We believe our future success and growth will depend on our ability to attract and retain qualified employees in all areas of our business. We don't have any collective bargaining agreements with our employees, and we believe employee relations are generally good. We do not have any key person life insurance, and we do not have employment agreements with any employees that can insure continued service. 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.

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 260,000 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. The San Diego build-to-suit lease was amended this past fiscal year to provide for the construction and lease of a 71,000 square foot building (including a computer center), and to extend and revise the terms of the existing lease. See Note 7 of the financial statements (page 51) 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), in Dallas, Texas (where our Lacerte subsidiaries are located), and in Canada, England, France, Germany and Japan. During fiscal 1998, we entered into a "build-to-suit" lease to provide for the construction of two buildings totaling approximately 135,000 square feet on property located in Tucson, Arizona. In fiscal 1998 we also entered into a construction agreement to build a 45,000 square

foot customer service and technical support facility on property owned by Intuit

and located in Fredericksburg, Virginia.

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

Intuit is currently a defendant in the following six class action lawsuits alleging that certain of our Quicken products have on-line banking functions that are not Year 2000 compliant: Alan Issokson v. Intuit Inc. (filed April 29, 1998 in the Santa Clara County, California Superior Court); Rocco Chilelli v. Intuit Inc. (filed May 13, 1998 in the New York Supreme Court, New York County, New York); Glenn Faegenburg v. Intuit Inc. (filed May 27, 1998 in the New York Supreme Court, New York County, New York); Joseph Rubin v. Intuit Inc. (filed May 27, 1998 in the Santa Clara County, California Superior Court); Donald Colbourn v. Intuit Inc. (filed June 4, 1998 in the San Mateo County, California Superior Court); and Jerald M. Stein v. Intuit Inc. (filed June 23, 1998 in the New York Supreme Court, New York County, New York). All of the lawsuits are substantively very similar. The lawsuits assert breach of implied warranty claims, violations of federal and/or state consumer protection laws, violations of various state business practices laws, and the plaintiffs seek compensatory damages, disgorgement of profits, and (in certain cases) attorneys' fees. See MD&A, page 34, for a discussion of Intuit's status and plans with respect to Year 2000 compliance.

On June 23, 1998, Intuit moved to dismiss the Issokson complaint. In August 1998, our motion was granted but the plaintiff still has an opportunity to amend the complaint to allege injury. We believe this will be difficult in light of the remedies that we are providing to our Quicken customers. However, if the complaint is amended in a manner that is satisfactory to overcome another motion to dismiss, we believe we have good and valid defenses to the claims asserted, and we intend to vigorously defend against the lawsuit.

We have filed motions to dismiss the complaints in every other case except the Colburn action. We plan on filing a demurrer in the Colburn action in the future. Discovery is stayed in the New York actions pending hearings on the motions. Discovery is ongoing in the Issokson and Stein actions. Given the outcome of the motion to dismiss in the Issokson case, we believe we may prevail on these motions as well. However, the ultimate outcome of any litigation is uncertain, and regardless of outcome, litigation can have an adverse impact on Intuit because of defense costs, diversion of management resources and other factors.

We are subject to other 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, as noted above, the ultimate outcome of any litigation is uncertain, and either unfavorable or favorable outcomes could have a material negative impact.

ITEM 4
SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

ITEM 4A
EXECUTIVE OFFICERS OF THE REGISTRANT

Effective August 1, 1998, our Board of Directors elected William V. Campbell as Chairman of the Board and William H. Harris, Jr. as President and Chief Executive Officer of Intuit. Intuit founder Scott D. Cook became chairman of the Executive Committee of the Board and continues to work full-time with Intuit. In addition, the Board elected Mr. Harris as a director of Intuit, effective May 12, 1998. Prior to these changes, Mr. Cook served as

Chairman of the Board, Mr. Campbell served as President and Chief Executive Officer and Mr. Harris served as Executive Vice President.

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

<TABLE>
<CAPTION>

NAME	AGE	POSITION
-	----	-----

<S>	<C>	<C>
William V. Campbell	58	Chairman of the Board of Directors
Scott D. Cook	46	Chairman of the Executive Committee of the Board of Directors
William H. Harris, Jr.	42	President and Chief Executive Officer; Director
Mari J. Baker	33	Senior Vice President, Human Resources and Corporate Communications
Eric C.W. Dunn	40	Senior Vice President and Chief Technology Officer
Alan A. Gleicher	46	Senior Vice President, Sales
Mark R. Goines	45	Senior Vice President, Consumer Finance Division
James J. Heeger	42	Senior Vice President, Small Business Division
David A. Kinser	47	Senior Vice President, Operations
Raymond G. Stern	37	Senior Vice President, Strategy, Finance and Administration
Larry J. Wolfe	47	Senior Vice President, Tax Products Division
Greg J. Santora	47	Vice President, Finance and Corporate Services; Chief Financial Officer
Linda Fellows	50	Treasurer and Director of Investor Relations
Catherine L. Valentine	46	Vice President, General Counsel and Corporate Secretary
Joel T. Brown	37	Vice President and General Manager, Employer Services Group
Kristen Brown	34	Vice President, Corporate Business Development
Craig B. Carlson	35	Vice President, Product Development, Small Business Division
John Dick	49	Vice President and General Manager, Technology Operations
Caroline F. Donahue	37	Vice President, Retail Sales
Brooks Fisher	41	Vice President and General Manager, Community and Marketplaces
Brian D. Fitzgerald	49	Vice President, Worldwide Operations
Larry King, Jr.	37	Vice President and General Manager, Financial Supplies Group
Elisabeth Lang	41	Vice President, Corporate Communications
Cary Masatsugu	42	Vice President and General Manager, Small Business Internet
Bernard F. McKay	46	Vice President, Government Programs and Policy
Robert J. Meighan	40	Vice President and General Manager, Personal Tax Group
Daniel T. Nye	32	Vice President, International
Carl Reese	41	Vice President, QuickenMortgage
Tanya L. Roberts	37	Vice President, Direct Marketing and Sales
William C. Shepard	56	Vice President and General Manager, Professional Products Group
Melanie Singer	34	Vice President, Tax Software Engineering
Eric B. Torres	34	Vice President, Consumer Product Development
Paul Vaillancourt	42	Vice President, U.S. Customer Support

</TABLE>

Mr. Campbell was elected to Intuit's Board of Directors in May 1994 and currently serves as Chairman of the Board. He served as Intuit's President and Chief Executive Officer from April 1994 through July 1998. Mr. Campbell was President and Chief Executive Officer of GO Corporation (a pen-based computing software company) from January 1991 to December 1993. Mr. Campbell also serves on the board of directors of SanDisk, Inc. (a computer storage devices company), Great Plains Software, Inc. (a software company), Apple Computer, Inc. (a computer company) and Netscape Communications Corp. (an Internet browser company). 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. Cook, a founder of Intuit, has been a director of Intuit since March 1984 and is currently Chairman of the Executive Committee of the Board. He served as Intuit's Chairman of the Board from March 1993 through July 1998. From March 1984 to April 1994, he also served as President and Chief Executive Officer of Intuit.

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Mr. Cook also serves on the board of directors of Amazon.com, Inc. (an online bookseller) and ebay Inc. (an online electronic commerce company). 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. Harris became President and Chief Executive Officer of Intuit in August 1998 and joined Intuit's Board of Directors in May 1998. He joined Intuit as Executive Vice President in December 1993, in connection with Intuit's acquisition of ChipSoft, Inc. (a tax preparation software company), and served in that capacity through July 1998. He was responsible for Intuit's tax and consumer finance businesses from July 1996 through July 1998. From January 1992 to December 1993, Mr. Harris served as President and Chief Operating Officer of ChipSoft. Mr. Harris earned a Bachelor of Arts degree in American Studies from Middlebury College in Vermont and a Masters in Business Administration from Harvard University.

Ms. Baker has served as Intuit's Senior Vice President of Human Resources and Corporate Communications since December 1997. She served as Senior Vice President of the Consumer Division from March 1997 to December 1997, and as 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 has served as a Senior Vice President of Intuit since July 1996 and as Chief Technology Officer since March 1997. He was responsible for 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. 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, Inc. (a tax preparation software company) 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 has served as a Senior Vice President of Intuit since August 1997. He has been responsible for the Consumer Division since December 1997, and was Senior Vice President and General Manager of the International Group from August 1997 until December 1997. He served as Intuit's Vice President and General Manager of the International Group from April 1996 to August 1997. Mr. Goines was formerly the Vice President of Intuit's Personal Tax Group and the Director of Product Management of ChipSoft, Inc. (a tax preparation software company that was acquired by Intuit in 1993). Prior to joining Intuit, Mr. Goines served in a variety of capacities in the area of consumer financial services. Mr. Goines holds a Bachelor of Science degree and a Masters of Business Administration from the University of California at Berkeley.

Mr. Heeger became 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

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management from the Massachusetts Institute of Technology and a Masters in Business Administration from Stanford University.

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. Stern joined Intuit in January 1998 as Senior Vice President of Strategy, Finance and Administration. Mr. Stern is responsible for all aspects of Intuit's strategic planning and business development, as well as the finance and legal functions. Prior to joining Intuit, Mr. Stern spent over ten years with The Boston Consulting Group (a business consulting firm), where he was the partner responsible for the firm's West Coast high technology practice from May 1994 to December 1997. Mr. Stern holds a Bachelor of Science degree in mechanical engineering from Stanford University and a Masters in Business Administration from Harvard 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, Inc. 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.

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. On September 30, 1998, the closing price of Intuit's Common Stock was \$46.5625.

The market price of our Common Stock has been volatile because of many factors, including the seasonality and quarterly fluctuations in our revenue and operating results (see MD&A, page 25), announcements of technical innovations, new commercial products, company or product acquisitions or the development of strategic relationships by Intuit or its competitors, changes in earnings estimates by analysts and changes in market conditions in the computer hardware and computer software industries. In addition, the stock market has experienced volatility that has particularly affected the market prices of equity securities of many high technology companies and that often has been unrelated to the operating performance of the companies affected. These market fluctuations may adversely affect the market price of Intuit's Common Stock in the future.

<TABLE>
<CAPTION>

	High ----	Low ---
<S>	<C>	<C>
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
FISCAL 1998		
First quarter.....	\$35.75	\$23.88
Second quarter.....	41.25	27.13
Third quarter.....	53.38	39.13
Fourth quarter.....	66.50	45.00

</TABLE>

STOCKHOLDERS

As of September 30, 1998, we had approximately 800 record holders of our common stock, and about 56,000 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.

ITEM 6
SELECTED FINANCIAL DATA

The following table shows selected consolidated financial information for Intuit for the past five fiscal years. The comparability of the information is affected by a variety of factors, including our acquisitions and dispositions of businesses. In addition, 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. To better understand the information in the table, investors should also read "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on page 26, and the Consolidated Financial Statements and Notes beginning on page 37.

FIVE-YEAR SUMMARY

<TABLE>
<CAPTION>

	TEN MONTHS ENDED JULY 31,	YEARS ENDED JULY 31,			
	----- 1994 -----	----- 1995 -----	----- 1996 -----	----- 1997 -----	----- 1998 -----
CONSOLIDATED STATEMENT OF OPERATIONS DATA					
(In thousands, except per share data)					
<S>	<C>	<C>	<C>	<C>	<C>
Net revenue	\$ 210,376	\$ 419,160	\$ 538,608	\$ 598,925	\$
592,736					
Loss from continuing operations	(183,974)	(44,296)	(14,355)	(2,932)	
(12,157)					
Net income (loss)	(183,974)	(44,296)	(20,699)	68,308	
(12,157)					
Basic loss per share from continuing operations	(5.34)	(1.07)	(0.32)	(0.06)	
(0.24)					
Basic net income (loss) per share	(5.34)	(1.07)	(0.46)	1.47	
(0.24)					
Diluted loss per share from continuing operations	(5.34)	(1.07)	(0.32)	(0.06)	
(0.24)					
Diluted net income (loss) per share ..	\$ (5.34)	\$ (1.07)	\$ (0.46)	\$ 1.44	\$
(0.24)					

</TABLE>

<TABLE>
<CAPTION>

	JULY 31,				
	----- 1994 -----	----- 1995 -----	----- 1996 -----	----- 1997 -----	----- 1998 -----
CONSOLIDATED BALANCE SHEET DATA					
(In thousands)					
<S>	<C>	<C>	<C>	<C>	<C>
Cash, cash equivalents and short-term investments	\$ 87,185	\$ 197,775	\$ 198,018	\$ 205,099	\$
382,832					
Working capital	68,675	164,281	169,724	243,195	
605,456					
Total assets	257,593	398,605	418,020	663,676	
1,498,596					
Long term obligations	3,715	8,770	5,583	36,444	
35,566					
Total stockholders' equity	\$ 183,872	\$ 280,399	\$ 299,235	\$ 415,061	\$
1,088,361					

</TABLE>

ITEM 7
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 we "expect," we "anticipate" or we "believe" are forward-looking statements. Investors should be aware that actual results may differ materially from our expressed expectations because of risks and uncertainties about the future. 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 discussed throughout this Form 10-K. Investors should read all of these risks carefully, and should pay particular attention to risks affecting the areas identified in the first paragraph on page 3.

OVERVIEW

In the Management Discussion and Analysis section of the 10-K we are providing more detailed information about our 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 beginning on page 37.

During the fiscal year ended July 31, 1998, our overall revenue decreased by 1% compared to fiscal 1997, due primarily to the loss of revenue as a result of the disposition of our Parsons subsidiary in August 1997. If for comparison purposes, Parsons revenue was excluded from fiscal 1997, then our revenue in fiscal 1998 would have been 13% higher than in fiscal 1997.

On a generally accepted accounting principles ("GAAP") basis, we reported a net loss of \$12.2 million for fiscal 1998 compared to net income of \$68.3 million in fiscal 1997. This comparison is unfavorably impacted by a \$53.8 million charge for purchased research and development associated with the acquisition of Lacerte in fiscal 1998 and a \$71.2 million gain from the sale of Intuit Services Corporation in fiscal 1997. After excluding one-time charges such as the fiscal 1998 AOL charge of \$16.2 million, the impact of our divested Parsons subsidiary, the gain on sale of discontinued operations, restructuring charges and acquisition-related charges in fiscal 1998 and 1997, we would have experienced a 38% improvement in net income in fiscal 1998 over fiscal 1997. This improved performance was primarily the result of lower cost of sales, and lower customer service and technical support costs. Our performance improved while we were making significant investments in our new QuickBooks multi-user technology and our expanding Internet products, including the new online payroll service we introduced on a limited basis in September 1998. Since we anticipate that all of our divisions will increasingly leverage the Internet as a means of offering products, we expect to continue incurring significant research and development investments in fiscal 1999 through internal development, acquisitions and strategic partnerships. The development and expansion of our Internet commerce businesses will involve significant risks including intense competition and difficulty in developing and implementing new business models and new operational infrastructures. See page 8 of the business section for more information regarding these risks.

Our business is highly seasonal. Sales of tax products are heavily concentrated from November through March. Sales of consumer finance and small business products are typically strongest during the year-end holiday buying season, and therefore major product launches usually occur in the fall to take advantage of this customer buying pattern. These seasonal patterns mean that revenue is usually strongest during the quarter ending January 31. We experience lower revenues for the quarters ending April 30, July 31, and October 31, while operating expenses to develop and manage products and services continue during these periods. This can result in significant operating losses, particularly in the July 31 and October 31 quarters. The seasonality of our revenue patterns is likely to be exacerbated by our acquisition of Lacerte. Operating results can also fluctuate for other reasons such as changes in product release dates, non-recurring events such as acquisitions and dispositions, and product price cuts in quarters

with relatively high fixed expenses. Acquisitions and dispositions in particular have a significant impact on the comparability of both our quarterly and yearly results.

RESULTS OF OPERATIONS

Our sale of Parsons at the beginning of fiscal 1998 has impacted the comparability of our operating results for fiscal 1997 and fiscal 1998. Accordingly, the following revenue, cost of goods sold and operating expense tables compare our fiscal 1998 results determined in accordance with GAAP to our fiscal 1997 results, which exclude all revenues and expenses associated with our divested Parsons subsidiary. Since Parsons was divested for our entire 1998 fiscal year, we believe this comparison provides a more meaningful analysis of our results. Fiscal 1997 and fiscal 1996 results are being presented and compared on a GAAP basis since both years include activity from our divested Parsons subsidiary.

NET REVENUE

<TABLE>
<CAPTION>
(Dollars in millions)

	1996	CHANGE	1997	1997	CHANGE	1998
	(GAAP)	<C>	(GAAP)	(Excluding Parsons)	<C>	(GAAP)
	<C>		<C>	<C>		<C>
Software and related services	\$463.0	11%	\$512.0	\$438.6	14%	\$498.3
% of revenue	86%		85%	83%		84%
Supplies	\$ 75.6	15%	\$ 86.9	\$ 86.9	9%	\$ 94.4
% of revenue	14%		15%	17%		16%
Total	\$538.6	11%	\$598.9	\$525.5	13%	\$592.7

</TABLE>

Since the business of selling software and related services is considerably different from our supplies business, we break them out separately for reporting purposes. The following revenue discussion is categorized by our business divisions, which is how we examine our results internally. Our domestic supplies business is considered a part of our small business division while the international supplies business is considered part of our international division.

Each of our business divisions reports Internet commerce revenues that are specific to its operations and are included in its results. We use the term Internet commerce to refer to all of our Internet-based business activities. Internet commerce has two components: Internet products and electronic distribution. Internet products include activities where the customer realizes the value of the goods or services directly on the Internet or an Intuit server. Internet product revenues include, for example, advertising revenues generated on our Quicken.com website, online tax preparation and electronic filing revenues, and transaction and processing fees from our online insurance and online mortgage services. Electronic distribution includes revenues generated by electronic ordering and/or delivery of traditional desktop software products and financial supplies.

Although we have made significant progress in our Internet commerce activities during the past year, investors should be aware that initial success achieved in these areas will not necessarily result in improved financial results. We believe that the dramatic growth of the Internet and the Web will give us significant opportunities to grow our revenue over the next several years. However, revenue from Internet commerce was only 8% of total revenue during fiscal 1998 (6% for Internet products and 2% for electronic distribution).

We recognize revenue from sales of our desktop software products when products are shipped, less reserves for expected returns and rebates from both the retail and direct distribution channels. These reserves are difficult to estimate, especially for seasonal products. If actual returns are significantly higher than our estimated reserves, this could have a material negative impact on our revenue and operating results. See Note 1 of the financial statement notes (page 43) for additional information regarding net revenue.

Small Business Division. Small Business Division revenues come primarily from the following sources:

- - QuickBooks product line
- - Supplies products (including checks, envelopes and invoices)
- - Tax table services
- - Support fees charged to customers for telephone assistance

Overall, revenue for the division grew 16% in fiscal 1998 compared to fiscal

1997. Revenues for the division were largely affected by the timing of our QuickBooks product releases in fiscal 1998 compared to fiscal 1997. In fiscal 1997, we launched QuickBooks 5.0 in the second quarter (December 1996). In fiscal 1998 we launched our QuickBooks 6.0 products (including the QuickBooks Pro multi-user product) in the fourth quarter (June 1998). With the QuickBooks Pro multi-user product, we are targeting the multi-user market for the first time. While we believe this will appeal to larger small business customers than we have been able to reach in the past, there are also risks. The multi-user version of QuickBooks has a higher sale price than single-user versions, which may adversely impact the channels we use to distribute the product, and may also adversely impact QuickBooks upgrade sales. Customer service and technical support costs may also be higher due to the added complexity of this product. If these or other risks occur, there could be a negative impact on our operating results.

Supplies revenues grew by 9% in fiscal 1998 compared to fiscal 1997. This growth was primarily the result of our increasing customer base of small business owners who use QuickBooks and Quicken to run their small businesses. Our supplies business is a more consistent source of revenue than our software business, and is derived from an existing customer base. While customers may go long periods of time without buying a new version of software, they will often buy supplies in between software purchases. Tax table service revenues and fees charged for telephone support also grew substantially in fiscal 1998.

In September 1998, we introduced our new payroll processing service for our small business customers. In fiscal 1998, we incurred considerable research and development costs to develop this service. These expenditures will continue in fiscal 1999. We expect this service to be unprofitable in its initial stages and long term profitability will depend on our ability to obtain a large number of subscribers for this service from our QuickBooks user base. If subscriptions don't meet expectations, our future operating results could be negatively impacted.

Small Business Division revenues increased by 25% in 1997 compared to 1996. This was largely driven by higher QuickBooks product sales resulting from the release of version 5.0 in December 1996. We also benefited from a favorable shift in consumer buying patterns to higher-priced, increased functionality QuickBooks products in fiscal 1997 compared to fiscal 1996. Supplies net revenue increased by 17% in fiscal 1997 over fiscal 1996 as the result of higher customized check, envelope and invoice orders from an increasing small business customer base. Increased tax table service revenues and an expanded fee-for-support program (which began charging users for telephone assistance with their QuickBooks products beginning in fiscal 1997) also contributed to growth.

Tax Division. Tax Division revenues come primarily from the following sources:

- - TurboTax and MacInTax personal tax preparation products
- - Professional tax preparation products (ProSeries and Lacerte product lines)
- - Electronic tax return preparation and filing fees

Overall, Tax Division revenues grew 10% in fiscal 1998 compared to fiscal 1997. This growth reflects higher sales of our TurboTax products in fiscal 1998 and a sales mix improvement towards higher-priced deluxe products. The personal tax market was more competitive in fiscal 1998 because our primary competitor lowered its prices earlier in the tax software sales season this year. Despite intense competition, we achieved sales increases largely due to positive product reviews in the press, federal tax law changes enacted in late 1997 and an expanded investment in retail distribution. We were also successful in getting our TurboTax products to market more quickly in fiscal 1998. The Tax Division also experienced growth in Internet commerce revenues during fiscal 1998 as evidenced by significant increases in electronic filing and state tax product downloads compared to the prior year. We believe that

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competition will continue to be intense in fiscal 1999 and beyond. It is possible that Microsoft Corporation will enter the personal tax preparation software market, which could have a negative impact on our revenue, profitability and market share. We are also at risk if federal or state government agencies choose to offer tax preparation software products or electronic filing services that would compete with our products.

Our professional tax product sales increased 10% in fiscal 1998 compared to fiscal 1997. We experienced this growth primarily because we have been successful in attaining new customers and in many cases have upgraded renewal customers to higher-priced, increased functionality products. We expect the acquisition of Lacerte will significantly expand our professional tax operations during fiscal 1999. In its fiscal years ended March 31, 1997 and 1998, Lacerte had revenue of \$68.1 million and \$75.6 million, respectively, and income from operations of \$23.4 million and \$28.9 million, respectively. While we expect that the acquisition will add to revenue and earnings, there are risks. See "Acquisition of Lacerte" on page 4 of the Business section for more detail regarding strategic benefits and risks of the Lacerte acquisition. We are also

assuming significant acquisition-related costs as a result of the transaction. See Note 3 of the financial statement notes (page 49) for a discussion of these costs.

Both personal and professional tax products experienced revenue growth in fiscal 1997. Personal tax product revenues for fiscal 1997 grew by approximately 13% over fiscal 1996 as a result of increases in both the 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 higher-priced products. Professional tax product revenues grew by approximately 16% over the prior year due to strong customer acceptance of Windows-based product offerings and an increase in pay-per-return revenues.

Consumer Finance Division. Consumer Finance Division revenues are derived primarily from the following sources:

- - Quicken product line
- - Advertising and sponsorship fees from the consumer areas of our Quicken.com website
- - Implementation, marketing and transaction fees from financial institutions (including marketplace participants) providing services through Quicken and Quicken.com

Overall, Consumer Finance Division revenues grew 24% in fiscal 1998 compared to fiscal 1997. Our Quicken product sales were up slightly for the year, reflecting a more favorable sales mix toward our higher-priced products, offset by lower overall unit sales. While we anticipate that Quicken revenues will remain roughly flat for fiscal year 1999, there is a risk that they will decline. In fiscal 1997, Quicken experienced over a 20% decline in revenues. There is no assurance that similar declines will not occur in the future. Fiscal 1998 revenue included a \$10 million royalty payment from Checkfree, which we will not receive in fiscal 1999.

Growth for the division was driven by increasing Internet product revenues, which approximately doubled in fiscal 1998 compared to fiscal 1997. This growth has been generated in part by collaborating with third party online service and content providers such as Excite and AOL, which have helped to increase traffic to our Quicken.com website. The Excite agreement calls for us to share revenue generated from our Quicken.com site. The AOL agreement calls for us to make significant guaranteed payments over the term of the agreement. See Note 5 (page 50) of the financial statement notes for more information regarding the Excite and AOL agreements. While the Internet provides a significant opportunity for revenue growth, there are also risks. Since we have made significant financial commitments to third party providers, we must continue to increase traffic and revenue in order to become profitable. See "Risks of Internet Commerce," on page 8, for more information regarding risks.

Consumer Finance Division revenues declined approximately 20% in fiscal 1997 compared to fiscal 1996. The combination of price reductions and lower retail unit sales of Intuit's Quicken product line were primarily responsible for the decline. In addition, we experienced a shift in consumer buying patterns away from deluxe versions of products and toward lower-priced regular product versions in fiscal 1997. In fiscal 1997, Intuit's

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revenues included a \$10 million fee from Checkfree for connectivity to Checkfree's bill payment service through Quicken.

International Division. International Division revenues come primarily from the following sources:

- - Japanese small business products
- - German Quicken, QuickBooks and Tax products
- - Canadian Quicken, QuickBooks and Tax products
- - United Kingdom Quicken, QuickBooks and Tax products

In addition to the above, we also operate in smaller European, Asian and Latin American markets. International Division revenues were down slightly in fiscal 1998 compared to fiscal 1997. This reflects lower revenues in Europe, roughly flat revenues in Japan and higher revenues in Canada. In fiscal 1998, we launched a new version of Quicken throughout Europe and a new version of QuickBooks in Germany. In Japan, revenues were negatively impacted by the recent economic slowdown, increasing competition in the high-end small business accounting market and a weak Japanese currency. This was partially offset by increased revenues resulting from our acquisition of Nihon Micom. In Canada, we experienced solid revenue growth from our QuickTax, Quicken and QuickBooks products. We have refocused our product development in Europe towards small business products in selected larger markets. As a result, we expect to devote fewer resources to consumer finance and tax products, and to smaller geographic markets. We also introduced QuickBooks in Japan in September 1998 in an effort to target a lower-priced market than our current products reach. While we expect that international revenues will be flat or slightly down in fiscal year 1999,

there is a risk that they could be significantly lower if our initiatives are not effective or if the Japanese currency continues to devalue significantly.

In anticipation of the upcoming conversion to a common European currency, we have performed preliminary evaluations to determine the impact on our internal systems and products. Based on these evaluations, we currently believe the conversion will have an immaterial impact on our operations.

International Division revenues experienced growth of approximately 28% during fiscal 1997 compared to fiscal 1996. This growth was the result of significant gains in the Japan and European regions. In Japan, growth resulted from the release of a Windows-based product acquired from Nihon Micom. In the European region, sales improved due to Quicken product releases in Germany and the release of QuickBooks in the U.K. In Canada, fiscal 1997 growth was attributable to an increase in unit sales of Canadian versions of Quicken, QuickBooks and QuickTax products.

COST OF GOODS SOLD

<TABLE>
<CAPTION>
(Dollars in millions)

	1996	CHANGE	1997	1997	CHANGE	1998
	(GAAP)	<C>	(GAAP)	(Excluding Parsons)	<C>	(GAAP)
<S>	<C>		<C>	<C>		<C>
Product	\$136.5	1%	\$137.3	\$119.3	1%	\$120.5
% of revenue	25%		23%	23%		20%
Amortization of purchased software and other	\$ 1.4	7%	\$ 1.5	\$ 1.5	93%	\$ 2.9
% of revenue	0%		0%	0%		0%

</TABLE>

There are two components of cost of goods sold. The largest is the direct cost of manufacturing and shipping products. The second component is the amortization of purchased software, which is the cost of products obtained through business acquisitions. Excluding the operating results of our divested Parsons subsidiary for fiscal 1997, cost of goods sold decreased to 20% of net revenue in fiscal 1998 compared to 23% in fiscal 1997. This improvement was the result of our customers buying more of our CD ROM products, which cost less to manufacture and ship than disk-based products. We have also improved the efficiency of our order-taking process in the financial supplies business, which has reduced costly re-orders. While we are continuing our efforts to reduce these costs, we expect cost of goods sold as a percentage of net revenue to increase in fiscal 1999 due largely to the changing nature of our business. Primary reasons are as follows:

- - Our expanding service related businesses (such as online payroll and support fees for telephone assistance) tend to produce lower margins and will result in higher cost of sales as a percentage of revenue.
- - We are increasing our investment in the infrastructure required to support our expanding Internet commerce businesses. Although not significant in fiscal 1998, these costs will be classified as cost of goods sold in fiscal 1999.
- - Some of these new cost of sales items (such as depreciation of servers) tend to be fixed in nature and may cause significant variations in quarterly comparisons of cost of sales as a percentage of revenue.

We believe that all of these factors will continue to put upward pressure on our cost of goods sold as a percentage of revenue in fiscal 1999 and beyond. Cost of goods sold could also be negatively impacted if we experience errors in our current or future products. While this risk is mitigated by our increasing capability to fix product errors less expensively via the Internet, our results may suffer if there is a material product error.

Total cost of goods sold decreased as a percentage of net revenue for fiscal 1997 compared to fiscal 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 and a decrease in warranty expenses in fiscal 1997 compared to 1996.

OPERATING EXPENSES

<TABLE>
<CAPTION>
(Dollars in millions)

	1996	CHANGE	1997	1997	CHANGE	1998
	(GAAP)	<C>	(GAAP)	(Excluding Parsons)	<C>	(GAAP)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Customer service and technical						

support	\$106.9	12%	\$119.8	\$112.4	5%	\$117.7
% of revenue	20%		20%	21%		20%
Selling and marketing	\$142.3	14%	\$162.0	\$129.8	27%	\$164.8
% of revenue	26%		27%	25%		28%
Research and development	\$ 75.6	23%	\$ 93.0	\$ 85.8	27%	\$108.6
% of revenue	14%		16%	16%		18%
General and administrative ...	\$ 33.1	13%	\$ 37.5	\$ 35.0	5%	\$ 36.7
% of revenue	6%		6%	7%		6%
Charge for purchased research and development	\$ 8.0	38%	\$ 11.0	\$ 11.0	389%	\$ 53.8
% of revenue	1%		2%	2%		9%
Other acquisition costs, including amortization of goodwill and purchased intangibles	\$ 40.6	(35)%	\$ 26.5	\$ 21.5	13%	\$ 24.2
% of revenue	8%		4%	4%		4%
Restructuring costs	--	N/A	\$ 10.4	\$ 10.4	(100)%	--
% of revenue	--		2%	2%		--

</TABLE>

Customer Service and Technical Support. Excluding the operating results of our divested Parsons subsidiary for fiscal 1997, customer service and technical support expenses decreased to 20% of net revenue in fiscal 1998 compared to 21% in fiscal 1997. We benefited from cost reductions due to the restructuring and consolidation of our technical support facilities in the United States and Europe in the fourth quarter of fiscal 1997. We have also benefited from our initiatives to provide customer service and technical support less expensively through websites

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and other electronic means. While we anticipate that service and support expenses will stay relatively flat or decrease as a percentage of revenue because of the 1997 restructuring and increased fees charged for telephone support, there is a risk that these expenses could increase. For example, our new multi-user QuickBooks product may result in higher customer service and technical support expenses since customers may need considerably more assistance with this more complex product.

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.

Selling and Marketing. Excluding the operating results of our divested Parsons subsidiary for fiscal 1997, selling and marketing expenses increased to 28% of net revenue in fiscal 1998 compared to 25% in fiscal 1997. The significant increase was due to a charge of \$16.2 million related to the AOL agreement in the third quarter of fiscal 1998, as well as increased selling and marketing costs in support of our TurboTax product launch and increased promotion of our Internet products. We expect this trend to continue as competition intensifies in the personal tax market and for our Internet products in fiscal 1999.

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.

Research and Development. Excluding the operating results of our divested Parsons subsidiary for fiscal 1997, research and development expenses increased to 18% of net revenue in fiscal 1998 compared to 16% in fiscal 1997. The development of the multi-user version of QuickBooks contributed to these increasing costs since it was more expensive to develop than our less complex single-user products. Increases were also a result of our increased spending to improve and expand our Internet products in an effort to attract more customer traffic to Quicken.com. We believe that research and development expenses related to Internet products will continue to increase in fiscal 1999. This could have an adverse effect on our operating results, particularly if revenue from these services does not meet expectations.

Research and development expenses grew to 16% of net revenue in fiscal 1997

compared to 14% in 1996. This increase resulted from an increased investment in Internet product initiatives as well as the development of our desktop software. Specifically, expenses rose as a result of development costs related to Quicken InsureMarket, development work on Open Financial Exchange (a specification for the exchange of financial information over the Internet) and the development of other financial websites.

General and Administrative. Excluding the operating results of our divested Parsons subsidiary for fiscal 1997, general and administrative expenses decreased to 6% of net revenue in fiscal 1998 compared to 7% in fiscal 1997. General and administrative expenses remained essentially flat at 6% of net revenue for both fiscal 1997 and fiscal 1996.

Charge for Purchased Research and Development. When acquiring a company, we often record a one-time charge for purchased research and development. This charge represents the value of products we acquire that aren't yet complete enough to be considered technologically feasible. We recorded such a charge of \$53.8 million in fiscal 1998 as the result of the Lacerte acquisition, \$11 million in fiscal 1997 (\$4.9 million when we acquired GALT Technologies, Inc. and \$6.1 million when we acquired Nihon Micom) and \$8.0 million in fiscal 1996 as a result of the acquisition of IIS. Since these charges are specific to each particular acquisition, we are unable to estimate what these charges may be in the future.

The fiscal 1998 charge for purchased in-process research and development resulted from our acquisition of Lacerte. The amount of this write-off was determined by valuing the projects under development for which technological feasibility had not been established. Two projects were identified for products being developed under separate operating systems (DOS and Windows). The value of the products was determined by estimating the costs to develop the in-process technology into commercially feasible products, estimating the net cash flows we believe

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will result from the products and discounting these net cash flows back to their present value. We believe these products will be completed by March 1999 and that the risk of these products not being successfully completed is low. However, if we were unable to successfully develop these products, it could have a negative impact on our operating results.

Other Acquisition Costs. Other acquisition costs include the amortization of goodwill and purchased intangibles that are recorded as part of an acquisition. Excluding the operating results of our divested Parsons subsidiary for fiscal 1997, these costs increased to \$24.2 million in fiscal 1998 compared to \$21.5 million in fiscal 1997. This increase was due primarily to our acquisition of Lacerte. Acquisition costs decreased by \$14.1 million to \$26.5 million in fiscal 1997 compared to 1996. This decrease was due to the fact that a majority of the intangibles related to our December 1993 acquisition of Chipsoft Inc. became fully amortized during fiscal 1997. For future periods, acquisition costs will continue to have an impact on our results. Based on acquisitions completed as of July 31, 1998, future amortization will reduce net income (after tax) by approximately \$78.5 million, \$72.8 million and \$61.6 million for the years ending July 31, 1999 through 2001, respectively. If we complete additional acquisitions in the future, this could result in additional amortization charges. Specifically, if we exercise our option to purchase Venture Finance Software Corp. (see Note 5 (page 50) of the financial statement notes), we would record substantial intangible assets that would be amortized over the life of VFSC's technology.

Restructuring Costs. Restructuring charges of \$10.4 million were recorded in our fourth quarter of fiscal 1997 to account for the consolidation of technical support sales and other operations in the U.S. and Europe. As part of the restructuring, we closed our Rio Rancho, New Mexico customer support facility. As of July 31, 1998 we have a balance of approximately \$1.8 million in accrued restructuring related expenses.

OTHER INCOME

For fiscal 1998, interest and other income and expense, net, remained essentially flat as a percentage of revenue compared to the same periods of the prior year. The \$4.3 million gain on disposal of business in fiscal 1998 resulted from the sale of our Parsons subsidiary in August 1997.

INCOME TAXES

For fiscal 1998 we recorded a tax benefit of \$7.7 million and pretax loss of \$19.8 million, resulting in an effective tax benefit rate of 38.9%. The effective tax rates in prior years were significantly higher due to charges for in-process research and development and amortization of certain intangibles related to various acquisitions for which no tax benefit is available. As of July 31, 1998, we have provided a valuation reserve of \$9.6 million related to the benefit of losses in our foreign subsidiaries that we believe are unlikely

to be realized.

DISCONTINUED OPERATIONS

We sold our ISC subsidiary to Checkfree Corporation in the second quarter of fiscal 1997. This resulted in a \$71.2 million gain, net of tax. See Note 4 of the financial statement notes for additional information regarding this sale and the on-going treatment of our investment in Checkfree.

LIQUIDITY AND CAPITAL RESOURCES

At July 31, 1998, our unrestricted cash and cash equivalents totaled \$138.1 million, a \$91.4 million increase from July 31, 1997. Improvements in liquidity were a result of net cash provided by operations and financing activities, partially offset by cash used for investing activities.

Our operations provided \$68.3 million in cash during the twelve months ended July 31, 1998. Primary contributors to cash provided were net income adjusted for non-cash expenses such as acquisition charges and depreciation as well as a significant increase in accrued liabilities. The increase in liabilities was driven by higher reserves for rebates and returns resulting from product releases occurring during the fourth quarter of the current fiscal year. In the prior fiscal year, product releases occurred during our first and second fiscal quarters, which generally resulted in lower reserves at year-end. These increases were partially offset by cash used for payments we made for

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expenses related to the ISC and Parsons sales, a reduction in prepaid assets and a reduction in deferred tax liabilities. We also experienced a significant increase in accounts receivable balances due to the fourth quarter product releases.

Investing activities used \$473.2 million in cash for the twelve months ended July 31, 1998. The primary use of cash was our acquisition of Lacerte, a professional tax preparation software company, for approximately \$400 million in cash. The acquisition was funded by a public offering of 10 million shares of common stock, discussed below. Other uses of cash included net purchases of both short-term and long-term investments, in addition to purchases of property and equipment. Capital expenditures are primarily for equipment and facilities to support our ongoing and expanding operations and information systems. Uses of cash were partially offset by \$26.4 million in cash proceeds from the sale of our Parsons subsidiary and \$9.0 million from the sale of our technical support facility in New Mexico. Due to our significant investments in marketable securities, there is a risk that market value declines may have a negative impact on our liquidity. For example, we experienced a significant decline in the value of our investment in Checkfree subsequent to our fiscal year end. There can be no assurance that similar declines will not occur for any of our marketable securities. If such declines are deemed to be permanent, they will result in a charge to our statement of operations. See Note 17 (page 58) of the financial statement notes for more information about recent declines in marketable securities.

The \$496.3 million in cash provided by financing activities is primarily due to our public offering of 10 million shares of common stock in the fourth quarter of fiscal 1998. Net proceeds were approximately \$456 million. In March 1997, we borrowed \$30.3 million from Japanese banks in connection with our acquisition of Nihon Micom. We have guaranteed the loan and pledged approximately \$28.5 million of short-term investments (110% of the current loan balance) to be restricted as security for the borrowings at July 31, 1998.

Our agreement with AOL obligates us to pay a minimum of \$30 million over the term of the three-year agreement. Of this amount, approximately \$16.2 million was paid to AOL in the third quarter of fiscal 1998. We currently do not have any other significant capital expenditure commitments, though we may require additional cash for strategic projects in the future. For example, if we exercise our option to purchase VFSC (see Note 5 of the financial statement notes) and elect to pay all or a significant portion of the exercise price in cash, it would require a significant cash expenditure.

In the normal course of business, we enter into leases for new or expanded facilities in both domestic and international locations. See Note 7 of the financial statement notes (page 51) and the "Properties" section (page 19) for more information on lease commitments.

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

Many existing computer systems use only the last two digits to identify a year. Consequently, as the year 2000 approaches, many systems do not yet recognize the difference in a year that begins with "20" instead of "19." This, as well as other date related processing issues, may cause systems to fail or malfunction unless corrected.

We are currently taking steps to address Year 2000 issues in the following three areas: (1) our internal systems (including information technology such as financial and order entry systems and non-information technology systems such as phones and facilities); (2) our products; and (3) the readiness of third parties with whom we have business relationships. We have assigned a dedicated Year 2000 project team to develop and implement a comprehensive five-phase Year 2000 readiness plan for our world-wide operations relating to all of these areas. This plan has executive sponsorship, is regularly reviewed by senior management and includes progress reports to the board of directors on a regular basis.

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Phase One (initiation) involves increasing company awareness by educating and involving all appropriate levels of management regarding the need to address Year 2000 issues. Phase Two (inventory) consists of identifying all of our systems, products and relationships that may be impacted by Year 2000. Phase Three (assessment) involves determining our current state of Year 2000 readiness for those areas identified in the inventory phase and prioritizing areas that need to be fixed. Phase Four (action) will consist of developing a plan for those areas identified as needing correction in the assessment phase. Phase Five (implementation) will consist of executing our action plan and completing the steps identified to attain Year 2000 readiness. We are currently in the inventory phase of the plan for both our internal systems and third party relationships. For our products, we are in either the inventory or assessment phase of our plan. We currently expect to complete implementation for all of the targeted areas by the end of our 1999 fiscal year (July 1999).

While Year 2000 costs incurred to date (including litigation costs) have not been material, we will incur additional costs as we complete the project phases. Based on preliminary assessments resulting from the early phases of our plan in each of the targeted areas, we are currently unable to determine whether additional costs to achieve Year 2000 readiness will be material. Additional costs incurred may include but are not limited to: the cost of manufacturing and distributing free solutions for products that are not Year 2000 ready; the impact of lost sales due to distribution of free Year 2000 ready solutions for affected products; the administrative costs of completing the Year 2000 project; the cost of correcting our internal systems; and the cost of implementing necessary contingency plans.

While we are dedicating substantial resources toward attaining Year 2000 readiness, there is no assurance that we will be successful in our efforts to address all Year 2000 issues. If we are not successful, there could be significant adverse effects on our operations. For example, failure to achieve Year 2000 readiness for our internal systems could delay our ability to manufacture and ship products, disrupt our customer service and technical support facilities, or interrupt customer access to our online products and services. If our products are not Year 2000 ready, we could suffer lost sales or other negative consequences resulting from customer dissatisfaction, including additional litigation (see discussion below). We also rely heavily on third parties such as manufacturing suppliers, service providers, financial institutions and a large retail distribution channel. If these or other third parties experience Year 2000 failures or malfunctions, there could be a material negative impact on our ability to conduct ongoing operations. For example, our ability to manufacture and ship products into the retail channel, to receive retail sales information necessary to maintain proper inventory levels, or to complete online transactions dependent upon third party service providers, could be affected. Many of our products are significantly interconnected with heavily regulated financial institutions. Our relationships with financial institutions could be impacted if we do not achieve Year 2000 readiness in a manner and on a time schedule that permits them to comply with regulatory requirements. We may also incur additional costs if we are required to accelerate our Year 2000 readiness to meet financial institution requirements. As with all companies, we also rely on other more widely used entities such as government agencies, public utilities and other external forces common to business and industry. Consequently, if such entities were to experience Year 2000 failures, this could disrupt our ability to conduct ongoing operations.

In an effort to reduce the risks associated with the Year 2000, we have incorporated contingency planning as part of our five-phase plan, building upon disaster recovery and contingency planning that we already have in place. This includes identifying areas where we are most vulnerable to Year 2000 risk and putting contingency plans in place before we experience potential failures. For example, we have contracted with multiple suppliers to better ensure that our products can be manufactured if a particular supplier experiences system failures. We are building a second data center facility that will give us an opportunity to develop back-up systems. We have also contracted with multiple transportation companies to provide product delivery alternatives. While we

believe these contingency plans will reduce certain risks, we are still assessing the need for additional contingency plans in areas where we believe there may be significant exposure.

Several class action lawsuits have recently been filed against Intuit in California and New York, alleging Year 2000 issues with the online banking functionality in certain versions of our Quicken products, and it is possible that we will face additional lawsuits. We do not believe the lawsuits have merit and intend to defend them vigorously. We have been working with financial institutions to provide solutions to their current online banking customers and are

planning to make such solutions available before customers experience any Year 2000 problems. See Part I, Item 3, "Legal Proceedings" (page 20) for more information.

The above discussion regarding costs, risks and estimated completion dates for the Year 2000 is based on our best estimates given information that is currently available, and is subject to change. As we continue to progress with this initiative, we may discover that actual results will differ materially from these estimates.

ITEM 7A
QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

SHORT-TERM INVESTMENT PORTFOLIO

We do not hold derivative financial instruments in our short-term investment portfolio. Our short-term investments consist of instruments that meet high quality standards consistent with our investment policy. This policy dictates that we diversify our holdings and limit our short-term investments to a maximum of \$5 million to any one issuer. Our policy also dictates that all short-term investments mature in 30 months or less.

The following table provides expected maturity and interest rate information for our investment portfolio. Maturity information is based on principal cash flows and interest rates are calculated on a weighted average basis.

PRINCIPAL AMOUNTS BY EXPECTED MATURITY:
(in thousands, except interest rates)

<TABLE>
<CAPTION>

VALUE	YEARS ENDING JULY 31,						FAIR
	1999	2000	2001	2002	2003	TOTAL	JULY
31,	-----	-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Cash Equivalents	\$ 115,751	--	--	--	--	\$115,751	
\$115,751							
Average Interest Rate	4.30%					4.30%	
Investments	\$ 109,447	\$ 163,317	\$ 408	--	--	\$273,172	
\$273,215							
Average Interest Rate	4.18%	3.90%	3.80%			4.01%	
Total Portfolio	\$ 225,198	\$ 163,317	\$ 408	--	--	\$388,923	
\$388,966							
Average Interest Rate	4.24%	3.90%	3.80%			4.09%	

</TABLE>

MARKETABLE SECURITIES

We also carry significant balances in marketable equity securities as of July 31, 1998. These securities are subject to considerable market risk due to their volatility. See Note 17 of the financial statement notes for more information regarding risks related to our investments in marketable securities.

IMPACT OF FOREIGN CURRENCY RATE CHANGES

During fiscal year 1998, most local currencies of our international subsidiaries weakened against the U.S. dollar. Since we translate foreign currencies into U.S dollars for reporting purposes, these weakened currencies had a negative, though immaterial, impact on our results. We also believe that our exposure to currency exchange fluctuation risk is insignificant primarily because our international subsidiaries invoice customers, and satisfy their financial obligations almost exclusively in their local currencies. There was also an immaterial currency exchange impact from our intercompany transactions for fiscal year 1998. Currency exchange risk is also minimized since foreign debt is due almost

exclusively in local foreign currencies. During fiscal 1998, we did not engage in foreign currency hedging activities.

ITEM 8
FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA
INTUIT INC.

1. INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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

<TABLE>
<CAPTION>

	PAGE

<S>	<C>
Report of Ernst & Young LLP, independent auditors.....	38
Consolidated Balance Sheets as of July 31, 1997 and 1998.....	39
Consolidated Statements of Operations for the three years ended July 31, 1998.....	40
Consolidated Statements of Stockholders' Equity for the three years ended July 31, 1998.....	41
Consolidated Statements of Cash Flows for the three years ended July 31, 1998.....	42
Notes to Consolidated Financial Statements.....	43

</TABLE>

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
	-----	----
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II	Valuation and Qualifying Accounts.....	59

</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, 1997 and 1998, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended July 31, 1998. 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, 1997 and 1998, and the consolidated results of its operations and its cash flows for each of the three years in the period ended July 31, 1998, in conformity with generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all

material respects the information set forth therein.

ERNST & YOUNG LLP

Palo Alto, California
August 19, 1998

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INTUIT INC.

CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

(In thousands, except par value)	JULY 31, 1997	JULY 31, 1998
	-----	-----
	<C>	<C>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 46,780	\$ 138,133
Short-term investments	158,319	244,699
Marketable securities	190,800	499,285
Accounts receivable, net of allowance for doubtful accounts of \$4,499 and \$5,335, respectively (1)	42,190	59,417
Inventories	3,295	3,695
Prepaid expenses and other current assets (2)	13,393	34,896
	-----	-----
Total current assets	454,777	980,125
Property and equipment, net	83,404	69,413
Purchased intangibles, net	19,836	85,797
Goodwill, net	26,935	285,793
Other assets	2,808	10,937
Long-term deferred income taxes	--	21,006
Investments	41,150	17,009
Restricted investments	34,766	28,516
	-----	-----
Total assets	\$663,676	\$1,498,596
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 35,688	\$ 44,035
Accrued compensation and related liabilities	22,458	23,728
Deferred revenue	22,732	58,560
Income taxes payable	3,811	3,044
Deferred income taxes	27,310	120,482
Other accrued liabilities	99,583	124,820
	-----	-----
Total current liabilities	211,582	374,669
Long-term deferred income taxes	589	--
Long-term notes payable	36,444	35,566
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.01 par value		
Authorized - 3,000 shares total; 145 shares designated Series A; 200 shares designated Series B Junior Participating		
Issued and outstanding - none; none	--	--
Common stock, \$0.01 par value		
Authorized -- 250,000 shares		
Issued and outstanding - 46,942 and 59,320 shares, respectively	469	593
Additional paid-in capital	558,391	1,080,554
Net unrealized gain on marketable securities	20,668	181,071
Cumulative translation adjustment and other	(1,236)	1,531
Accumulated deficit	(163,231)	(175,388)
	-----	-----
Total stockholders' equity	415,061	1,088,361
	-----	-----
Total liabilities and stockholders' equity	\$663,676	\$1,498,596
	=====	=====

</TABLE>

(1) Includes \$1.0 and \$3.4 million from Checkfree as of July 31, 1997 and 1998, respectively. (See Note 15.)

(2) Includes a \$7.3 million note receivable from Venture Finance Software Corporation as of July 31, 1998. (See Note 15.)

INTUIT INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

<TABLE>
<CAPTION>

	YEARS ENDED JULY 31,		
	1996	1997	1998
(In thousands, except per share data)			
<S>	<C>	<C>	<C>
Net revenue (1)	\$ 538,608	\$ 598,925	\$ 592,736
Costs and expenses:			
Cost of goods sold:			
Product	136,470	137,281	120,538
Amortization of purchased software and other	1,399	1,489	2,905
Customer service and technical support	106,872	119,762	117,714
Selling and marketing	142,319	162,047	164,834
Research and development	75,558	93,018	108,604
General and administrative	33,153	37,460	36,719
Charge for purchased research and development	8,043	11,009	53,800
Other acquisition costs, including amortization of goodwill and purchased intangibles	40,570	26,543	24,204
Restructuring costs	--	10,356	--
Total costs and expenses	544,384	598,965	629,318
Loss from operations	(5,776)	(40)	(36,582)
Interest and other income and expense, net	7,646	9,849	12,438
Gain on disposal of business	--	--	4,321
Income (loss) from continuing operations before income taxes	1,870	9,809	(19,823)
Provision (benefit) for income taxes	16,225	12,741	(7,666)
Loss from continuing operations	(14,355)	(2,932)	(12,157)
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)	\$ (20,699)	\$ 68,308	\$ (12,157)
Basic net loss per share from continuing operations	\$ (0.32)	\$ (0.06)	\$ (0.24)
Basic net loss per share from operations of discontinued operations	(0.14)	--	--
Basic net income per share from sale of discontinued operations	--	1.53	--
Basic net income (loss) per share	\$ (0.46)	\$ 1.47	\$ (0.24)
Shares used in per share amounts	45,149	46,424	49,676
Diluted net loss per share from continuing operations	\$ (0.32)	\$ (0.06)	\$ (0.24)
Diluted net loss per share from operations of discontinued operations	(0.14)	--	--
Diluted net income per share from sale of discontinued operations	--	1.50	--
Diluted net income (loss) per share	\$ (0.46)	\$ 1.44	\$ (0.24)
Shares used in per share amounts	45,149	47,448	49,676

</TABLE>

(1) Includes \$11.6 and \$14.1 million from Checkfree for the years ended July 31, 1997 and 1998, respectively, and \$10.3 million from Excite for the year ended July 31, 1998. (See Note 15.)

INTUIT INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

<TABLE>
<CAPTION>

TOTAL STOCKHOLDERS' EQUITY (Dollars in thousands)	COMMON STOCK		ADDITIONAL	NET UNREALIZED GAIN ON	CUMULATIVE TRANSLATION	EARNINGS
	SHARES	AMOUNT	PAID-IN CAPITAL	MARKETABLE SECURITIES	ADJUSTMENT AND OTHER	(ACCUMULATED DEFICIT)
	<C>	<C>	<C>	<C>	<C>	<C>
Balance at July 31, 1995	44,516,908	\$ 445	\$ 490,698	\$--	\$ 96	\$ (210,840)
\$ 280,399						
Issuance of common stock pursuant to Intuit KK acquisition	650,000	7	473	--	--	--
480						
Issuance of common stock pursuant to Intuit Insurance Services acquisition	169,181	2	8,431	--	--	--
8,433						
Issuance of common stock upon exercise of options	470,847	4	12,351	--	--	--
12,355						
Tax benefit from 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						
Issuance of common stock upon exercise of options and other	2,230,258	22	41,222	--	--	--
41,244						
Issuance of common stock pursuant to Employee Stock Purchase Plan	147,976	2	3,757	--	--	--
3,759						
Issuance of common stock pursuant to public offering	10,000,000	100	455,950	--	--	--
456,050						

Tax benefit from employee stock option transactions	--	--	21,234	--	--	--
21,234						
Net unrealized gain on marketable securities	--	--	--	160,403	--	
160,403						
Translation adjustment and other	--	--	--	--	2,767	--
2,767						
Net loss	--	--	--	--	--	(12,157)
(12,157)						

Balance at July 31, 1998	59,320,342	\$ 593	\$ 1,080,554	\$ 181,071	\$ 1,531	\$ (175,388)
\$ 1,088,361						
=====						
</TABLE>						

See accompanying notes.

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INTUIT INC.

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

<TABLE>
<CAPTION>

	YEARS ENDED JULY 31,		
	1996	1997	1998
(In thousands)			
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net income (loss)	\$ (20,699)	\$ 68,308	\$ (12,157)
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)	--
Gain on disposal of business, net of tax	--	--	(1,621)
Gain on sale of facility	--	--	(1,501)
Charge for purchased research and development	8,043	11,009	53,800
Amortization of goodwill and other purchased intangibles	44,502	29,715	24,330
Depreciation	23,853	28,952	28,908
Changes in assets and liabilities:			
Accounts receivable	(10,498)	7,482	(17,055)
Inventories	2,128	1,445	(1,044)
Prepaid expenses	(4,817)	(4,090)	(14,104)
Deferred income tax assets and liabilities	(1,989)	(14,501)	(39,221)
Accounts payable	12,281	(26)	8,206
Accrued compensation and related liabilities	47	6,441	1,403
Deferred revenue	9,723	58	6,320
Accrued acquisition liabilities	(5,733)	1,445	(29,185)
Other accrued liabilities	(4,624)	22,931	43,491
Income taxes payable	9,258	2,888	17,767
NET CASH PROVIDED BY OPERATING ACTIVITIES	61,475	81,149	68,337
Cash flows from investing activities:			
Proceeds from sale of facility	--	--	9,025
Purchase of property and equipment	(69,321)	(27,597)	(33,561)
Sale of marketable securities	--	29,500	--
Acquisitions and dispositions, net of cash acquired	40	(34,224)	(350,288)
Increase in other assets	(1,628)	(970)	(1,276)
Purchase of short-term investments	(197,003)	(258,892)	(293,306)
Liquidation and maturity of short-term investments	165,046	215,338	213,176
Purchase of long-term investments	--	(41,150)	(17,009)
NET CASH USED IN INVESTING ACTIVITIES	(102,866)	(117,995)	(473,239)
Cash flows from financing activities:			
Principal payments on long-term debt	(3,187)	(661)	(4,798)
Proceeds from issuance of long-term debt	--	30,277	--
Net proceeds from issuance of common stock	12,864	9,426	501,053
NET CASH PROVIDED BY FINANCING ACTIVITIES	9,677	39,042	496,255
Net increase (decrease) in cash and cash equivalents	(31,714)	2,196	91,353
Cash and cash equivalents at beginning of period	76,298	44,584	46,780
Cash and cash equivalents at end of period	\$ 44,584	\$ 46,780	\$ 138,133

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Interest paid	\$ 305	\$ 652	\$ 432
Income taxes paid	\$ 5,791	\$ 31,906	\$ 6,054

</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. develops, sells and supports small business accounting, tax preparation and consumer finance desktop software products, financial supplies (such as computer checks, envelopes and invoices), and Internet products for individuals and small businesses. Our products and services are designed to automate commonly performed financial tasks and to simplify the way individuals and small businesses manage their finances. We sell our products throughout North America and in many international markets. Sales are made through retail distribution channels, traditional direct sales to customers and the Internet.

Principles of Consolidation

The consolidated financial statements include the accounts of Intuit and its wholly-owned subsidiaries. We have eliminated all significant intercompany accounts and transactions. Investments in which we have a 20% to 50% interest or otherwise have the ability to exercise significant influence, are accounted for under the equity method. Investments in which we have less than a 20% interest and do not have significant influence are carried at cost or estimated realizable value, if less.

Use of Estimates

To comply with generally accepted accounting principles, we make estimates and assumptions that affect the amounts reported in the financial statements and disclosures made in the accompanying notes. Our most significant estimates are related to the collectibility of accounts receivable, reserves for product returns and exchanges and reserves for rebates. We also use estimates to determine the carrying value of goodwill and purchased intangibles. Actual results may differ from our estimates.

Net Revenue

Intuit recognizes revenue from sales of desktop software products when products are shipped, less reserves for expected returns from both the retail and direct channels. To recognize revenue, it must be probable that we will collect the accounts receivable from our customers. Reserves are provided for excess quantities of current product versions, as well as previous versions of products still in the channel when new versions are launched. In some situations, we receive advance payments from our customers. Revenue associated with these payments must be deferred until the products are shipped or services are provided. We also reduce revenue by the estimated cost of rebates when products are shipped. Warranty reserves are provided at the time revenue is recognized for the estimated cost of replacing defective products. We recognize Internet product revenue (such as subscription revenues, Internet advertising and transaction revenue) as such fees are earned or services are provided.

Research and Development

Research and development expenses are expensed as incurred. The expenses are primarily the costs incurred to develop software and Internet products.

Customer Service and Technical Support

Customer service and technical support costs include order processing, customer inquiries and telephone assistance. We also include the costs of post-contract customer support in this expense category.

Advertising

We expense advertising costs as incurred. Advertising expense for the years ended July 31, 1996, 1997 and 1998 was approximately \$24.6 million, \$35.3 million and \$27.0 million, respectively.

Cash, Cash Equivalents and Short-Term Investments

We consider highly liquid investments with a maturity of three months or less at the date of purchase 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 schedule summarizes the estimated fair value of our cash, cash equivalents and short-term investments:

	JULY 31, 1997	JULY 31, 1998
	-----	-----
(In thousands)		
<S>	<C>	<C>
Cash and cash equivalents:		
Cash	\$ 20,188	\$ 22,382
Money market funds	3,369	6,972
Commercial paper	4,292	--
Municipal bonds	--	81,927
U.S. Government securities	18,931	26,852
	-----	-----
	\$ 46,780	\$ 138,133
	=====	=====
Short-term investments:		
Certificates of deposit	\$ 5,075	\$ 5,043
Corporate notes	37,811	2,000
Municipal bonds	140,245	256,297
U.S. Government securities	9,954	9,875
Restricted short-term investments	(34,766)	(28,516)
	-----	-----
	\$ 158,319	\$ 244,699
	=====	=====

</TABLE>

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

	JULY 31, 1997	JULY 31, 1998
	-----	-----
<S>	<C>	<C>
(In thousands)		
Due within one year	\$ 155,832	\$ 225,241
Due after one year	63,845	163,725
Restricted short-term investments	(34,766)	(28,516)
	-----	-----
	\$ 184,911	\$ 360,450
	=====	=====

</TABLE>

For information about our restricted investments, see Note 7. Realized gains and losses from sales of each type of security were immaterial for all periods presented.

Marketable Securities

Our marketable securities are carried at fair value and include unrealized gains and losses, net of tax, in stockholders' equity. We held the following marketable securities at July 31, 1997 and 1998:

	COST	GROSS UNREALIZED		FAIR VALUE
	-----	GAIN	LOSS	-----
	<C>	<C>	<C>	<C>
<S>				
1997				
(In thousands)				
Checkfree Corporation common stock	\$156,350	\$ 34,450	\$ --	\$190,800
	=====	=====	=====	=====

(In thousands)					
Checkfree Corporation common stock	\$156,350	\$106,000	\$	--	\$262,350
Excite, Inc. common stock	39,150	187,050	--	--	226,200
Verisign, Inc. common stock	2,000	5,750	--	--	7,750
Concentric Network Corporation common stock	--	2,985	--	--	2,985
	-----	-----	-----	-----	-----
	\$197,500	\$301,785	\$	--	\$499,285
	=====	=====	=====	=====	=====

</TABLE>

In January 1997, we sold our online banking and bill payment transaction processing business to Checkfree Corporation. We obtained marketable securities in Checkfree as a result of this sale. Note 4 provides more information on this sale.

We account for the investment in Checkfree as an available-for-sale equity security, which accordingly is carried at market value. Checkfree common stock is quoted on the Nasdaq Stock Market under the symbol CKFR. The closing price of Checkfree common stock at July 31, 1998 was \$24.75 per share. At July 31, 1998, we held 10.6 million shares, or approximately 19%, of Checkfree's outstanding common stock.

In June 1997, we purchased 5.8 million shares (as adjusted for a two-for-one stock split) of common stock of Excite, Inc. ("Excite") as part of an agreement we entered into with Excite. The agreement provides for the joint development, promotion and distribution of an online financial channel. Since we are restricted from selling the shares until December 1998, we initially valued the shares at cost, or \$39.2 million. Beginning in January 1998, these shares were adjusted to market value, as remaining restrictions on the shares expire within 12 months. Excite's common stock is quoted on the Nasdaq Stock Market under the symbol XCIT. The closing price of Excite common stock at July 31, 1998 was \$39.00 per share. At July 31, 1998, we held approximately 11% of Excite's outstanding common stock.

Checkfree, Excite, Verisign, Inc. and Concentric Network Corporation are high technology companies whose stocks are subject to substantial volatility. Accordingly, it is possible that the market price of one or more of these companies' stocks could decline substantially and quickly, which could result in a material reduction in the carrying value of these assets. See Note 17 for information regarding significant declines in market prices that occurred subsequent to July 31, 1998.

Inventories

Our inventory consists primarily of materials used in software products and related supplies and packaging materials. We value them at the lower of cost (first-in, first-out) or market (net realizable value or replacement cost).

Property and Equipment

Property and equipment are stated at cost. We calculate depreciation 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

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the straight-line method over the lesser of the estimated useful lives or remaining lease terms. Property and equipment consisted of the following:

<TABLE>		
<CAPTION>		
	JULY 31, 1997	JULY 31, 1998
	-----	-----
(In thousands)		
<S>	<C>	<C>
Machinery and equipment	\$ 102,241	\$ 96,780
Furniture and fixtures	17,739	12,514
Leasehold improvements	18,659	22,278
Land and buildings	15,365	3,193
Construction in progress	--	763
	-----	-----
	154,004	135,528
Less accumulated depreciation and amortization	(70,600)	(66,115)
	-----	-----
	\$ 83,404	\$ 69,413
	=====	=====

</TABLE>

Goodwill and Intangible Assets

We record goodwill when the cost of net assets we acquire exceeds their fair value. Goodwill is amortized on a straight-line basis over periods of 3 years. The cost of identified intangibles is generally amortized on a straight-line basis over periods ranging from 1 to 10 years. We regularly perform reviews to determine if the carrying value of the assets is impaired. The reviews look for the existence of facts or circumstances, either internal or external, which indicate the carrying value of the asset cannot be recovered. No such impairment has been indicated to date. If there is impairment in the future, Intuit will measure the amount of the loss based on undiscounted expected future cash flows from the impaired assets. The cash flow calculations would be based on management's best estimates, using appropriate assumptions and projections at the time. Intangible assets consisted of the following:

<TABLE>
<CAPTION>

	LIFE IN YEARS -----	NET BALANCE AT	
		JULY 31, 1997	JULY 31, 1998
<S>	<C>	<C>	<C>
(In thousands)			
Goodwill	3	\$ 26,935	\$285,793
Customer lists	3-5	3,144	53,517
Covenant not to compete	3-5	2,125	2,211
Purchased technology	1-5	7,517	18,763
Other intangibles	1-10	7,050	11,306

</TABLE>

Included in the other intangibles category are items such as trade names, logos and other identified intangible assets. Balances presented above are net of total accumulated amortization of \$147.1 million and \$103.6 million at July 31, 1997 and July 31, 1998, respectively. The accumulated amortization balance at July 31, 1997 included \$67.8 million relating to assets acquired as part of the purchase of Parsons Technology, Inc. in September 1994. We subsequently sold Parsons in August 1997. See Note 4.

Concentration of Credit Risk

The personal computer software industry is highly competitive and rapidly changing. Many circumstances could have an unfavorable impact on Intuit's operating results. Examples include significant technological changes in the industry, changes in customer requirements or the emergence of competitive products or services with new capabilities.

We are also subject to risks related to our significant balances of short-term investments, marketable securities and trade accounts receivable. At July 31, 1998, we held shares of Checkfree common stock representing approximately 19% of Checkfree's outstanding common stock. We also held approximately 11% of Excite's outstanding common stock as of July 31, 1998. Our ability to dispose of these securities is limited by volume trading and other restrictions. The Excite shares cannot be sold until December 1998. If there is a permanent decline in the value of these securities below cost, we will need to report this decline in our statement of operations.

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See "Marketable Securities," above in Note 1 and Note 17 for a discussion of risks associated with our marketable securities. Our remaining portfolio is diversified and consists primarily of short-term investment-grade securities.

To reduce the credit risk associated with accounts receivable, Intuit performs ongoing evaluations of customer credit. Generally, no collateral is required. We maintain reserves for estimated credit losses and these losses have historically been within our expectations.

Foreign Currency

Assets and liabilities recorded in foreign currencies are translated at the exchange rate on the balance sheet date. Revenue, costs and expenses are translated at average rates of exchange in effect during the year. We report translation gains and losses as a separate component of stockholders' equity. Net gains and losses resulting from foreign exchange transactions were immaterial in all periods presented.

Recent Pronouncements

In June 1997, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 130 ("SFAS 130"), "Reporting Comprehensive Income." SFAS 130 sets standards for reporting comprehensive income in financial statements. Comprehensive income items include changes in equity (net assets) that are not included in net income. Examples are foreign currency translation adjustments and unrealized gains and losses on available-for-sale securities. We are required to report the disclosures set forth in SFAS 130 beginning with the quarter ending October 31, 1998.

In June 1997, FASB issued SFAS 131, "Disclosures About Segments of an Enterprise and Related Information." This statement establishes standards for the way companies report information about operating segments in financial statements. It also sets standards for related disclosures about products and services, geographic areas and major customers. The disclosures prescribed by SFAS 131 will be required beginning in fiscal year 1999.

In October 1997, FASB approved the American Institute of Certified Public Accountants Statement of Position, "Software Revenue Recognition" ("SOP 97-2"). SOP 97-2 will be effective for Intuit beginning in the first quarter of fiscal 1999. We do not believe the adoption of SOP 97-2 will have a significant impact on our revenue recognition policy.

2. PER SHARE DATA

Basic income per share is computed using the weighted average number of common shares outstanding during the period. Diluted income per share is computed using the weighted average number of common and dilutive common equivalent shares outstanding during the period. Common equivalent shares consist of the shares issuable upon the exercise of stock options under the treasury stock method. All share and per share data in the financial statements and notes have been adjusted retroactively to give effect to Intuit's two-for-one stock split in August 1995. The following table shows the computation of basic and diluted income per share for the years ended July 31, 1996, 1997 and 1998:

<TABLE>
<CAPTION>

	YEARS ENDED JULY 31,		
	1996	1997	1998
	-----	-----	-----
<S>	<C>	<C>	<C>
(In thousands, except per share data)			
BASIC:			
Weighted average common shares outstanding	45,149	46,424	49,676
	=====	=====	=====
Net income (loss)	\$ (20,699)	\$ 68,308	\$ (12,157)
	=====	=====	=====
Per share amount	\$ (0.46)	\$ 1.47	\$ (0.24)
	=====	=====	=====

</TABLE>

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<TABLE>

	1996	1997	1998
<S>	<C>	<C>	<C>
DILUTED:			
Weighted average common shares outstanding	45,149	46,424	49,676
Equivalent shares issuable upon exercise of options	--	1,024	--
	-----	-----	-----
Shares used in per share amounts	45,149	47,448	49,676
	=====	=====	=====
Net income (loss)	\$ (20,699)	\$ 68,308	\$ (12,157)
	=====	=====	=====
Per share amount	\$ (0.46)	\$ 1.44	\$ (0.24)
	=====	=====	=====

</TABLE>

3. ACQUISITIONS

In January 1996, we acquired Milkyway KK, a provider of PC-based financial software in Japan. Milkyway KK's name was changed to Intuit KK in February 1997. We treated the acquisition as a pooling of interests for accounting purposes. We issued 650,000 shares of Intuit common stock and recorded merger-related expenses of \$0.6 million related to the acquisition. The accompanying Consolidated Financial Statements are presented on a combined basis for all periods prior to the acquisition.

Revenue and net income (loss) of Intuit and Milkyway from August 1, 1995 to January 2, 1996 were as follows:

<TABLE>

<CAPTION>

PERIOD ENDED
JAN. 2, 1996

<S>

<C>

(In thousands; unaudited)

Net revenue:	
Intuit	\$ 164,696
Milkyway	14,510

	\$ 179,206
	=====
Net income (loss):	
Intuit	\$ (34,037)
Milkyway	1,312

	\$ (32,725)
	=====

</TABLE>

In June 1996, we acquired Interactive Insurance Services Corp. for approximately \$9.0 million. The name was changed to Intuit Insurance Services, Inc. ("IIS") in June 1998. IIS is a developer of an Internet-based system that allows users to get insurance information and quotes from participating insurance carriers via the World Wide Web. The acquisition was treated as a purchase for accounting purposes. We expensed approximately \$8.0 million of in-process research and development in the quarter ended July 31, 1996. Under terms of the agreement, we issued 169,181 shares of Intuit common stock and options to purchase 3,255 shares of Intuit common stock to IIS stockholders and option holders, respectively, at the date of acquisition.

In September 1996, we acquired GALT Technologies, Inc. for \$14.6 million. GALT was a provider of mutual fund information on the World Wide Web. The acquisition was treated as a purchase for accounting purposes. We allocated approximately \$8.5 million of the purchase price to identified intangible assets and goodwill. These assets are being amortized over a period of three years or less. We also expensed approximately \$4.9 million of in-process research and development at the time of acquisition. Under terms of the agreement, we issued 212,053 shares of Intuit common stock and options to purchase approximately 33,686 shares of Intuit common stock to GALT stockholders and option holders, respectively, at the date of acquisition.

In March 1997, Intuit KK, a wholly-owned subsidiary of Intuit, acquired Nihon Micom Co. Ltd., a Japanese small business accounting software company, for cash. The purchase price was approximately \$39.9 million. In addition, we assumed liabilities of approximately \$9.6 million. The acquisition was treated as a purchase for accounting purposes. We allocated approximately \$32.8 million of the purchase price to identified intangible assets and goodwill. These assets are being amortized over a period not to exceed three years. We also expensed \$6.1 million

of in-process research and development in the quarter ended April 30, 1997. Under terms of the agreement, we issued options to purchase 89,170 shares of Intuit common stock to employees of Nihon Micom on the date of acquisition. We also agreed to issue options to purchase up to an additional 89,170 shares on or before the second anniversary of the date of the acquisition. Pro forma information for Nihon Micom has not been presented because it is not material.

In June 1998, we acquired substantially all of the assets of Lacerte Software Corporation and Lacerte Educational Services Corporation (together, "Lacerte"), for cash. Lacerte is a leading developer and marketer of tax preparation software and services for tax professionals. The purchase price was approximately \$400 million. In addition, we assumed liabilities of \$31.8 million. We funded the acquisition by a public offering of 9.0 million shares of common stock, completed on May 28, 1998 and 1.0 million shares on June 3, 1998. Note 8 provides more information on this public offering.

The acquisition of Lacerte was treated as a purchase for accounting purposes. We allocated approximately \$358.2 million of the purchase price to identified intangible assets and goodwill. These assets are being amortized over a period of three to five years. We also expensed approximately \$53.8 million of in-process research and development in the quarter ended July 31, 1998. The following table shows pro forma net revenue, net loss from continuing operations and diluted net loss per share from continuing operations of Intuit and Lacerte as if we had acquired Lacerte at the beginning of fiscal 1997:

<TABLE>
<CAPTION>

1998	YEAR ENDED JULY 31, 1997		YEAR ENDED JULY 31,	
	INCLUDING	AS	INCLUDING	
AS	LACERTE	REPORTED	LACERTE	
REPORTED				
<S>	<C>	<C>	<C>	<C>
(In thousands, except per share data; unaudited)				
Net revenue	\$ 668,077	\$ 598,925	\$ 668,244	\$
592,736				
Net loss from continuing operations	(88,067)	(2,932)	(56,689)	
(12,157)				
Diluted net loss per share from continuing operations	\$ (1.53)	\$ (0.06)	\$ (0.95)	\$
(0.24)				

For acquisitions treated as a purchase for accounting purposes, we must determine the allocation between developed and in-process research and development. This allocation is based on whether or not technological feasibility has been achieved and whether there is an alternative future use for the technology. SFAS 86, "Accounting for the Costs of Computer Software to be Sold, Leased or Otherwise Marketed," sets guidelines for establishing technological feasibility. Technological feasibility can be achieved through the existence of either a detailed program design or a completed working model. As of the respective dates of the acquisitions discussed above, we concluded that the purchased in-process research and development had no alternative future use and expensed it according to the provisions of SFAS 86.

4. DISCONTINUED OPERATIONS AND DIVESTITURES

On January 27, 1997, we sold Intuit Services Corporation ("ISC"), our online banking and bill payment transaction-processing subsidiary, to Checkfree. In exchange, we received 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 transaction, we recorded a gain on sale of discontinued operations of \$71.2 million, net of tax, in the quarter ended January 31, 1997. The gain was recorded net of certain conditional items relating to the business sold. In addition to the gain on sale, Checkfree agreed to pay us \$20 million in service and license fees for providing connectivity between Intuit's Quicken software and Checkfree's bill payment processing services. Of this \$20 million, \$10 million of revenue was received and recorded in January 1997, and \$10 million was received and recorded in October 1997. We accounted for the sale of ISC as a discontinued operation. As such, its operating results for fiscal 1996 have been segregated into a single line on our statement of operations. Revenue and net loss from discontinued operations were \$14.3 million and \$6.3 million, respectively, for the fiscal year ended 1996. We deferred operating results for the discontinued operations for the period beginning August 1, 1996 until the close of the sale on January 27, 1997. These losses were netted against the gain on sale of discontinued operations.

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In February 1997, Intuit sold two million shares of the Checkfree common stock. This reduced our investment in Checkfree to approximately 19.6% of the 54.2 million shares of Checkfree common stock outstanding after the sale was completed. We are accounting for our investment in Checkfree using the cost method of accounting.

On August 7, 1997, we sold Parsons, our consumer software and direct marketing subsidiary, to Broderbund Software, Inc. for approximately \$31 million. As a result of the sale, Broderbund acquired net assets of approximately \$17 million and we incurred direct costs of approximately \$9.5 million. We also recorded a pre-tax gain of \$4.3 million and a related tax provision of \$2.7 million in the quarter ended October 31, 1997.

The following information shows pro forma net revenue, net loss from continuing operations and diluted net loss per share from continuing operations of Intuit as if we had sold Parsons at the beginning of fiscal 1997:

<TABLE>
<CAPTION>

YEAR ENDED JULY 31, 1997	
EXCLUDING	AS
PARSONS	REPORTED

<u><S></u>	<u><C></u>	<u><C></u>
(In thousands, except per share data; unaudited)		
Net revenue	\$ 525,482	\$ 598,925
Net loss from continuing operations	(3,647)	(2,932)
Diluted net loss per share from continuing operations ...	\$ (0.08)	\$ (0.06)

5. SIGNIFICANT TRANSACTIONS

In June 1997, we entered into an agreement with Excite Inc. to jointly develop, promote and distribute a new online financial channel now called Excite Money and Investing by Quicken.com. The channel debuted in early fiscal 1998. We are the exclusive provider and aggregator of personal financial content for all of Excite's Internet services. Excite provides hosting, advertising sales and software services and is the exclusive search and navigation service promoted in our QuickBooks, TurboTax and Quicken products. We are entitled to receive all revenue associated with the channel, but we're required to pay certain portions of the revenue to Excite. As part of the agreement, we made a significant equity investment in Excite. Note 1 provides more information on this investment.

On February 17, 1998, we announced a three-year agreement with America Online, Inc. ("AOL"). Under terms of the agreement, subject to certain limited exceptions, we are the exclusive provider of tax preparation and filing, multi-carrier life and auto insurance, and multi-lender mortgage services on both the AOL service and AOL.com, which is AOL's default site for Internet access by AOL members. In addition, on AOL.com, we are the primary source of financial content for the Personal Finance Web Channel. We have guaranteed payments to AOL totaling \$30 million over three years, of which \$16.2 million was paid upon signing. The remainder of the guaranteed payments will be made ratably over the term of the agreement. AOL will also be eligible for additional revenue sharing payments once Intuit has recovered certain advances and other amounts.

We recorded a charge to selling and marketing expense of \$16.2 million in the third quarter of fiscal 1998 in connection with the agreement. This expense represents the excess of guaranteed payments over the expected future net revenues from the agreement during the agreement term. We calculated future net revenues using estimated gross revenues less the estimated future costs related to the agreement. The remaining capitalized amount of \$13.8 million is being amortized ratably over the remainder of the term.

In May 1998, we participated in the formation of a company, Venture Finance Software Corp. ("VFSC") to focus on the development of certain Web-oriented finance products. VFSC has received \$23 million through the sale of equity interests to private investors and obtained conditional commitments to receive up to an additional \$23 million in capital contributions from these investors. Of the \$46 million potential funding for VFSC, venture capital funds managed by Kleiner Perkins Caufield & Byers, of which L. John Doerr, a director of Intuit, is a general partner, have agreed to invest up to \$1 million. In exchange for its equity interest in VFSC, Intuit has granted VFSC licenses to certain technology and intellectual property rights related to certain Web-oriented finance products and

has agreed not to compete with VFSC in certain areas of server-based personal finance for a period of ten years. Intuit is managing the development of the new products and the commercialization efforts of VFSC and has been granted the option to purchase the equity interests of the other investors in VFSC during a period of time beginning two years after the formation of VFSC at a price to be determined by a formula. (See Note 15.)

6. OTHER ACCRUED LIABILITIES

<TABLE>
<CAPTION>

<u><S></u>	<u>JULY 31,</u> <u>1997</u>	<u>JULY 31,</u> <u>1998</u>
(In thousands)		
Reserve for returns and exchanges	\$ 36,310	\$ 60,343
Acquisition and disposition related items	38,866	19,181
Rebates	2,876	16,870
Post-contract customer support	4,233	4,433
Other accruals	17,298	23,993
	-----	-----
	\$ 99,583	\$124,820
	=====	=====

</TABLE>

7. NOTES PAYABLE AND COMMITMENTS

Notes Payable

In March 1997, our 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 inter-bank offered rate or the short-term prime rate offered in Japan. At July 31, 1998, the 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). We have guaranteed the loan and pledged approximately \$28.5 million, or 110% of the loan balance, of short-term investments to be restricted as security for the borrowings at July 31, 1998. We are obligated to pay interest only until March 2000.

Leases

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

<TABLE>
<CAPTION>

YEARS ENDING JULY 31, -----	COMMITMENTS -----
<S>	<C>
(In thousands)	
1999	\$ 9,919
2000	9,463
2001	8,095
2002	7,868
2003	7,548
Thereafter	12,808

	\$55,701
	=====

</TABLE>

Total rent expense for the years ended July 31, 1996, 1997 and 1998 was approximately \$9.2 million, \$10.1 million and \$10.3 million, respectively.

8. STOCKHOLDERS' EQUITY

Stock Option Plans

On January 31, 1993, we adopted the 1993 Equity Incentive Plan (the "1993 Plan"). Under the 1993 Plan, we may grant incentive and non-qualified stock options, restricted stock awards and stock bonuses to employees, directors, consultants, and independent contractors of and advisors to Intuit. The Board of Directors or its delegates determine

who will receive grants, exercisability, option price and other terms. The option exercise price is usually the fair market value at the date of grant. The options generally vest over a four-year period and expire after ten years.

On October 7, 1996, we adopted the 1996 Directors Stock Option Plan. This plan provides for non-qualified stock options for a specified number of shares to be granted to non-employee directors of Intuit on an annual basis. The option exercise price equals the fair market value at the date of grant. Options generally vest over a four-year period and expire after ten years.

In addition, we have several discontinued option plans with outstanding options. For example, we assumed options in connection with our purchase of ChipSoft, Inc. on December 12, 1993. The options vest over a five-year period and expire after seven years. We also assumed options in connection with our purchase of GALT and IIS.

A summary of activity under all option plans is as follows:

<TABLE>
<CAPTION>

		OPTIONS OUTSTANDING -----		
AVERAGE	SHARES	NUMBER OF	PRICE PER	WEIGHTED
PRICE	AVAILABLE			EXERCISE

	FOR GRANT	SHARES	SHARE	PER SHARE
<S>	<C>	<C>	<C>	<C>
Balance at July 31, 1995	3,424,370	6,263,366	\$0.05 - \$43.13	\$18.20
Options converted in 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 assumed	33,686	--	--	--
Options converted in 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
Additional shares authorized	2,150,000	--	--	--
Options granted	(3,078,597)	3,078,597	\$24.63 - \$56.50	\$38.18
Options exercised	--	(2,230,258)	\$0.05 - \$44.00	\$18.85
Options canceled or expired	1,141,528	(1,185,168)	\$2.27 - \$84.00	\$25.68
Balance at July 31, 1998	2,153,424	8,611,273	\$0.05 - \$78.00	\$28.70

</TABLE>

There were 1,894,320, 1,931,019 and 2,532,620 options exercisable under the various plans at July 31, 1996, 1997 and 1998, respectively. At July 31, 1998, there were 2,078,424 shares available for grant under the 1993 Plan and 75,000 shares available for grant under the 1996 Directors Stock Option Plan.

On September 18, 1996, we repriced 1,787,746 options 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 repriced options 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, we repriced 3,151,445 options 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 repriced options would not be exercisable, even if vested, until March 27, 1998. Officers at the level of senior vice president and above were not eligible for the repricing. On June 30, 1997, 177,600 options held by employees of a Japanese subsidiary were also repriced to \$23.75.

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Stock Split

Intuit's Board of Directors authorized a two-for-one stock split on July 20, 1995. This was accomplished by distributing a 100% stock dividend on August 21, 1995 to stockholders of record on August 4, 1995. We have restated all share and per share amounts referred to in the financial statements and notes to reflect the 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 future issuance. In January 1998, an additional 200,000 shares of common stock were reserved for future issuance. The plan allows eligible employees to purchase Intuit's stock at 85% of the lower of the fair market value at the beginning or end of each six-month offering period. During fiscal 1997 and 1998, employees purchased 96,301 and 147,976 shares, respectively.

Stock-Based Compensation

We follow Accounting Principles Board Opinion 25 ("APB 25"), "Accounting for Stock Issued to Employees," in accounting for stock-based compensation. Accordingly, we are not required to record compensation expense when stock options are granted to employees, as long as the exercise price is not less than the fair market value of the stock when the option is granted, and we are not required to record compensation expense in connection with the Employee Stock Purchase Plan as long as the purchase price is not less than 85% of the lower of the fair market value at the beginning or end of each six-month offering period. In October 1995, the FASB issued SFAS 123, "Accounting for Stock Based Compensation." Although SFAS 123 allows us to continue to follow the present APB 25 guidelines, we are required to disclose pro forma net income (loss) and net income (loss) per share as if we had adopted the new statement. The pro forma impact of applying SFAS 123 in fiscal 1996, 1997 and 1998 is not likely to be

representative of the pro forma impact in future years.

We have 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 that have no vesting restrictions and are fully transferable. This model requires the input of highly subjective assumptions including the expected stock price volatility. Because our employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect this estimate, we believe the Black-Scholes model does not necessarily provide a reliable single measure of the fair value of our employee stock options. Inputs used for the valuation model are as follows:

PLAN	OPTIONS			EMPLOYEE STOCK PURCHASE	
	1996	1997	1998	1996	1997
1998					
<S>	<C>	<C>	<C>	<C>	<C>
Expected life (years)	1.33-4.61	1.17-4.61	1.61-4.61	--	0.50
0.5					
Expected volatility	0.60%	0.60%	0.60%	--	0.60%
0.60%					
Risk-free interest rate	4.83%-6.92%	5.50%-6.88%	5.34%-6.0%	--	5.61%
5.25-5.45%					

Our pro forma net income (loss) and net income (loss) per share would have been:

	YEARS ENDED JULY 31,		
	1996	1997	1998
<S>	<C>	<C>	<C>
(In thousands, except per share data)			
Net income (loss)			
As reported	\$ (20,699)	\$ 68,308	\$ (12,157)
Pro forma	\$ (27,638)	\$ 46,409	\$ (34,194)
Diluted net income (loss) per share			
As reported	\$ (0.46)	\$ 1.44	\$ (0.24)
Pro forma	\$ (0.61)	\$ 0.97	\$ (0.69)

The weighted average fair value of options granted during fiscal 1996, 1997 and 1998 was approximately \$23.19, \$11.99 and \$16.61 per share, respectively.

The following table summarizes information about stock options outstanding at July 31, 1998:

EXERCISE PRICE	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
	NUMBER	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE (YEARS)	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE
<S>	<C>	<C>	<C>	<C>	<C>
\$ 0.05 - \$21.75	1,100,719	5.61	\$ 16.35	874,829	\$ 15.04
\$21.88 - \$22.94	641,541	7.23	\$ 22.30	315,357	\$ 22.32
\$23.00 - \$23.75	1,933,883	7.73	\$ 23.69	652,521	\$ 23.70
\$23.94 - \$24.50	1,184,417	8.87	\$ 24.48	471,874	\$ 24.47
\$24.63 - \$30.25	1,165,402	9.07	\$ 27.62	110,013	\$ 27.39
\$31.00 - \$36.00	868,288	8.63	\$ 32.61	100,907	\$ 33.09
\$36.50 - \$78.00	911,911	9.70	\$ 43.75	738	\$ 39.43
\$46.81 - \$78.00	805,112	9.32	\$ 49.25	6,381	\$ 58.46
\$ 0.05 - \$78.00	8,611,273	8.21	\$ 28.70	2,532,620	\$ 21.29

</TABLE>

Stock Offering

On May 28, 1998, we sold 9.0 million shares of our Common Stock in a registered underwritten public offering at a price to the public of \$47.375 per share, providing us with net proceeds of approximately \$410 million after underwriting commissions and estimated expenses. As stated in Note 3, \$400 million of these net proceeds were used to fund the acquisition of Lacerte. On June 3, 1998, the underwriters of the public offering exercised their over-allotment option to purchase an additional 1 million shares of Intuit common stock at a price of \$47.375 per share, providing us with additional net proceeds of \$45.7 million, net of underwriting commissions.

9. PROFIT SHARING AND BENEFIT PLANS

Profit Sharing Plans

Full-time employees are eligible to participate in Intuit's profit-sharing plans. The Compensation Committee of the Board of Directors determines amounts to be contributed to the plans. Profit-sharing expense for fiscal 1996, 1997 and 1998 was approximately \$1.4 million, \$4.2 million and \$9.1 million, respectively.

Benefit Plans

We provide two 401(k)-retirement savings plans for full-time employees. Participating employees may contribute up to 15% of pretax salary to the plan, subject to IRS limitations. Intuit matches a specified portion of the employee contributions up to a maximum amount per employee per year. The amount is subject to change on an annual basis. At July 31, 1997, the match was 25% of the employee contribution, up to \$1,000, and at July 31, 1998, the match was 75%, up to \$1,500. Matching contributions were approximately \$0.3 million, \$1.6 million and \$3.0 million, respectively, for the years ended July 31, 1996, 1997 and 1998.

10. SHAREHOLDER RIGHTS PLAN

On April 29, 1998, the Board of Directors adopted a shareholder rights plan designed to protect the long-term value of the Company for its shareholders during any future unsolicited acquisition attempt. In connection with the plan, the Board declared a dividend of one preferred share purchase right for each share of Intuit's common stock outstanding on May 11, 1998 (the "Record Date") and further directed the issuance of one such right with respect to each share of Intuit's common stock that is issued after the Record Date, except in certain circumstances. If a

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person or a group (an "Acquiring Person") acquires 20 percent or more of Intuit's common stock, or announces an intention to make a tender offer for Intuit's common stock, the consummation of which would result in a person or group becoming an Acquiring Person, then the rights will be distributed (the "Distribution Date"). After the Distribution Date, each right may be exercised for 1/1000th of a share of a newly designated Series B Junior Participating Preferred stock at an exercise price of \$250. The preferred stock has been structured so that the value of 1/1000th of a share of such preferred stock will approximate the value of one share of common stock. The rights will expire on May 1, 2008.

11. INCOME TAXES

Income (loss) before income taxes includes income (loss) from foreign operations of approximately \$10,000, (\$8,365,000) and (\$14,512,000) for the years ended July 31, 1996, 1997 and 1998, respectively. The provision for income taxes consisted of the following:

<TABLE>

<CAPTION>

(In thousands)	YEARS ENDED JULY 31,		
	1996	1997	1998
<S>	<C>	<C>	<C>
Current:			
Federal	\$ 15,732	\$ 29,117	\$ 23,051
State	3,116	5,843	3,694
Foreign	1,302	651	390
	-----	-----	-----
	20,150	35,611	27,135
Deferred:			
Federal	(3,378)	(18,144)	(27,999)
State	(547)	(4,726)	(6,802)
	-----	-----	-----
	(3,925)	(22,870)	(34,801)
	-----	-----	-----

Total provision (benefit) for income taxes	\$ 16,225	\$ 12,741	\$ (7,666)
	=====	=====	=====

</TABLE>

Differences between income taxes calculated using the federal statutory income tax rate of 35% and the provision for income taxes were as follows:

<TABLE>
<CAPTION>

(In thousands)	YEARS ENDED JULY 31,		
	1996	1997	1998
	-----	-----	-----
<S>	<C>	<C>	<C>
Income (loss) before income taxes	\$ 1,870	\$ 9,809	\$ (19,823)
	=====	=====	=====
Statutory federal income tax	\$ 654	\$ 3,433	(6,938)
State income tax, net of federal benefit	1,670	785	(1,812)
Federal research and experimental credits	--	(4,100)	(2,700)
Non-deductible merger related charges	13,531	10,637	3,814
Tax exempt interest	(1,400)	(1,633)	(2,627)
Foreign losses not benefited	--	3,533	5,396
Other, net	1,770	86	(2,799)
	-----	-----	-----
Total	\$ 16,225	\$ 12,741	\$ (7,666)
	=====	=====	=====

</TABLE>

Tax savings from deductions associated with our various stock option plans are not reflected in the current federal and state provisions. Savings were approximately \$18.9 million in fiscal 1996, \$6.7 million in fiscal 1997 and \$21.2 in fiscal 1998. These amounts were credited to stockholders' equity.

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Significant deferred tax assets and liabilities were as follows:

<TABLE>
<CAPTION>

(In thousands)	JULY 31,	
	1997	1998
	-----	-----
<S>	<C>	<C>
Deferred tax assets:		
Accruals and reserves not currently deductible	\$ 27,275	\$ 43,061
Deferred foreign taxes	4,247	8,081
State income taxes	1,742	--
Merger charges	439	24,860
Restructuring charges	2,165	--
Fixed asset adjustments	6,903	8,044
Other, net	2,353	5,012
	-----	-----
Total deferred tax assets	45,124	89,058
Deferred tax liabilities:		
Deferred gain on discontinued operations	54,993	55,688
Unrealized gain on marketable securities	13,782	120,714
State income taxes	--	2,488
	-----	-----
Total deferred tax liabilities	68,775	178,890
	-----	-----
Total net deferred tax liabilities	(23,651)	(89,832)
Valuation reserve due to foreign losses	(4,248)	(9,644)
	-----	-----
Total net deferred tax liabilities, net of valuation reserve ...	\$ (27,899)	\$ (99,476)
	=====	=====

</TABLE>

We have provided a valuation reserve related to the benefit of losses in our foreign subsidiaries that we believe are unlikely to be realized.

12. SIGNIFICANT CUSTOMER INFORMATION

One distributor accounted for 13% of net revenue in fiscal 1996, 12% of net revenue in fiscal 1997 and 15% of net revenue in fiscal 1998.

13. LITIGATION

Intuit is currently a defendant in the following six class action lawsuits alleging that certain of our Quicken products have on-line banking functions that are not Year 2000 compliant: Alan Issokson v. Intuit Inc. (filed April 29, 1998 in the Santa Clara County, California Superior Court); Rocco Chilelli v. Intuit Inc. (filed May 13, 1998 in the New York Supreme Court, New York County,

New York); Glenn Faegenburg v. Intuit Inc. (filed May 27, 1998 in the New York Supreme Court, New York County, New York); Joseph Rubin v. Intuit Inc. (filed May 27, 1998 in the Santa Clara County, California Superior Court); Donald Colbourn v. Intuit Inc. (filed June 4, 1998 in the San Mateo County, California Superior Court); and Jerald M. Stein v. Intuit Inc. (filed June 23, 1998 in the New York Supreme Court, New York County, New York). All of the lawsuits are substantively very similar. The lawsuits assert breach of implied warranty claims, violations of federal and/or state consumer protection laws, violations of various state business practices laws, and the plaintiffs seek compensatory damages, disgorgement of profits, and (in certain cases) attorneys' fees. See MD&A, page 34, for a discussion of Intuit's status and plans with respect to Year 2000 compliance.

On June 23, 1998, Intuit moved to dismiss the Issokson complaint. In August 1998, our motion was granted but the plaintiff still has an opportunity to amend the complaint to allege injury. We believe this will be difficult in light of the remedies that we are providing to our Quicken customers. However, if the complaint is amended in a manner that is satisfactory to overcome another motion to dismiss, we believe we have good and valid defenses to the claims asserted, and we intend to vigorously defend against the lawsuit.

We have filed motions to dismiss the complaints in every other case except the Colburn action. We plan on filing a demurrer in the Colburn action in the future. Discovery is stayed in the New York actions pending hearings on the motions. Discovery is ongoing in the Issokson and Stein actions. Given the outcome of the motion to dismiss in the Issokson case, we believe we may prevail on these motions as well. However, the ultimate outcome of any

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litigation is uncertain, and regardless of outcome, litigation can have an adverse impact on Intuit because of defense costs, diversion of management resources and other factors.

We are subject to other 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, as noted above, the ultimate outcome of any litigation is uncertain, and either unfavorable or favorable outcomes could have a material negative impact.

14. RESTRUCTURING COSTS

In fiscal 1997, we restructured our U.S. technical support operations. We closed our technical support facility in Rio Rancho, New Mexico and consolidated the operations of that facility within our Tucson, Arizona technical support location. We also reorganized our European region to consolidate management operations for our core European markets in our German headquarters in Munich. All European customer service, technical support, manufacturing and order fulfillment functions were outsourced to third party vendors. As a result of these actions and concurrent staff reductions in Northern California, Intuit's worldwide workforce was reduced by approximately 270 employees, or approximately 9%. As a result, we incurred a \$10.4 million restructuring charge in the fourth quarter of fiscal 1997. At July 31, 1998 the remaining restructuring reserve is approximately \$1.8 million. This balance is expected to be used by July 31, 1999.

15. RELATED PARTY TRANSACTIONS

We held approximately 11% of Excite's outstanding common stock as of July 31, 1998. On April 30 1998, we provided Excite with a short-term unsecured loan in the amount of \$50 million. The loan bore interest at 5.9% per year and was due no later than October 30, 1998. In June 1998, Excite repaid the loan in full. As part of shared advertising activities, we reported revenue of \$10.3 million from Excite for the year ended July 31, 1998. (See Note 5.)

At July 31, 1998 and 1997, we held approximately 19% of Checkfree's outstanding common stock. In exchange for providing connectivity between Checkfree's bill payment processing service and our Quicken products, we reported revenues of \$14.1 million and \$11.6 million from Checkfree for the years ended July 31, 1998 and 1997, respectively. These totals include royalty payments of \$10 million received in January 1997 and October 1997. We held a receivable due from Checkfree for \$3.4 and \$1.0 million at July 31, 1998 and 1997, respectively. (See Note 4.)

As of July 31, 1998, we held a 49% equity interest in Venture Finance Software Corporation (VFSC). (See Note 5.) We have entered into agreements with VFSC to provide them with services related to on-going development of Web-oriented finance products. At July 31, 1998, we held a receivable due from VFSC for \$7.3 million as a result of development and administrative services provided to VFSC.

16. SELECTED QUARTERLY CONSOLIDATED FINANCIAL DATA (UNAUDITED)

<TABLE>
<CAPTION>

	FISCAL 1997 QUARTER ENDED			
	OCTOBER 31 (1)	JANUARY 31	APRIL 30 (2)	JULY 31
<S>	<C>	<C>	<C>	<C>
(In thousands, except per share data)				
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)
Basic net income (loss) per share	(0.61)	2.50	0.01	(0.42)
Diluted net income (loss) per share	(0.61)	2.44	0.01	(0.42)

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<TABLE>
<CAPTION>

	FISCAL 1998 QUARTER ENDED			
	OCTOBER 31	JANUARY 31	APRIL 30	JULY 31 (3)
<S>	<C>	<C>	<C>	<C>
(In thousands, except per share data)				
Net revenue	\$ 95,958	\$ 237,513	\$ 141,996	\$ 117,269
Cost of goods sold	23,099	46,129	29,919	24,296
All other costs and expenses	98,464	125,753	119,386	162,272
Income (loss) from continuing operations	(12,759)	41,844	(2,206)	(39,036)
Net income (loss)	(12,759)	41,844	(2,206)	(39,036)
Basic net income (loss) per share	(0.27)	0.88	(0.05)	(0.70)
Diluted net income (loss) per share	(0.27)	0.85	(0.05)	(0.70)

- (1) Includes a charge of \$4.9 million related to purchased research and development at the time of the GALT acquisition.
- (2) Includes a charge of \$6.1 million related to purchased research and development at the time of the Nihon Micom acquisition.
- (3) Includes a charge of \$53.8 million related to purchased research and development at the time of the Lacerte acquisition.

17. SUBSEQUENT EVENTS (UNAUDITED)

As discussed in Note 1, our marketable securities are subject to substantial volatility. Subsequent to year-end, the price of Checkfree common stock declined from \$24.75 per share as of July 31, 1998 to \$9.875 per share as of September 30, 1998, resulting in a decrease of \$157.7 million in the estimated fair value of our holdings in Checkfree. We own 10.6 million shares of Checkfree at a cost of \$14.75 per share. In addition, our investment in Excite common stock has been subject to significant volatility. We own 5.8 million shares of Excite at a cost of \$6.75 per share. Although these fluctuations are not considered to be permanent declines in value at this time, any declines deemed to be permanent would be reported in our statement of operations.

In March 1998, we announced a memorandum of understanding ("MOU") with Bank of America, TCI and @Home to form a venture to develop a system designed to deliver financial services to consumers on their television sets. The establishment of the venture was subject to negotiation and execution of definitive agreements. Subsequent to our fiscal year end, negotiations pursuant to the MOU were terminated, and we do not expect to sign definitive agreements as contemplated by the MOU.

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SCHEDULE II

INTUIT INC.

VALUATION AND QUALIFYING ACCOUNTS

<TABLE>
<CAPTION>

Classification	BALANCE AT BEGINNING OF PERIOD	ADDITIONS CHARGED TO EXPENSE	WRITE-OFFS	BALANCE AT END OF PERIOD
-----	-----	-----	-----	-----

<S> (In thousands)	<C>	<C>	<C>	<C>
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
Year ended July 31, 1998				
Allowance for doubtful accounts	\$ 4,499	\$ 3,380	\$ (2,544)	\$ 5,335
Reserve for returns and exchanges	\$ 36,310	\$ 80,602	\$ (56,569)	\$ 60,343

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ITEM 9

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

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 1999 Annual Meeting of Stockholders. Information about executive officers that is required by this Item can be found in Item 4A on page 20.

ITEM 11

EXECUTIVE COMPENSATION

This information is incorporated by reference to our Proxy Statement for our January 1999 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 1999 Annual Meeting.

ITEM 13

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

This information is incorporated by reference to our Proxy Statement for our January 1999 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:

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

<TABLE>

<S>	<C>
2.01(1)	Exchange Agreement between Intuit and Kabushiki Kaisha Milkyway and its stockholders dated December 26, 1995 (schedules and similar attachments will be furnished to the Commission upon request)
2.02(1)	Agreement and Plan of Merger among Checkfree Corporation, Checkfree Acquisition Corporation II, Intuit and Intuit Services Corporation dated September 15, 1996 (schedules and similar

attachments will be furnished to the Commission upon request)

- 2.03(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
- 2.04(3) Amended and Restated Checkfree Corporation Stock Restriction Agreement dated September 15, 1996 between Intuit and Checkfree Corporation
- 2.05(4) Stock Purchase Agreement, dated as of June 11, 1997, between Excite, Inc. and Intuit

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- 2.06(5) Stock Purchase Agreement dated as of August 6, 1997 by and among Intuit, Broderbund Software, Inc. and Parsons Technology, Inc. (schedules and similar attachments to be furnished to the Commission upon request)
- 2.07(2) Amended and Restated Registration Rights Agreement dated as of September 15, 1996 between Intuit and Checkfree Corporation
- 2.08(4) Nomination and Observer Agreement, dated as of June 25, 1997, between Excite, Inc. and Intuit
- 2.09(4) Registration Rights Agreement, dated as of June 25, 1997, between Excite, Inc. and Intuit
- 2.10(4) Right of First Refusal Agreement, dated as of June 25, 1997, between Excite, Inc. and Intuit
- 2.11(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
- 2.12(19) Asset Purchase Agreement by and among Lacerte Software Corporation, Lacerte Educational Services Corporation, Intuit Inc. and IL Acquisition Corporation, dated May 18, 1998
- 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(18) Certificate of Designations of Series B Junior Participating Preferred Stock dated May 1, 1998
- 3.05* Amended and Retated Rights Agreement, dated October 5, 1998
- 3.06* Certificate of Retirement of Series A Preferred Stock dated September 16, 1998
- 3.07(17) Bylaws of Intuit, as amended and restated effective April 29, 1998
- 4.01* Form of Specimen Certificate for Intuit's Common Stock
- 4.02* Form of Right Certificate for Series B Junior Participating Preferred Stock (included in Exhibit 3.05)
- 10.01(6)+ Intuit 1988 Stock Option Plan and related documents
- 10.02(16)+ Intuit Inc. 1996 Employee Stock Purchase Plan, as amended through January 16, 1998
- 10.03(16)+ Intuit Inc. 1996 Directors Stock Option Plan, as amended through January 16, 1998
- 10.04(6)+ Intuit's form of Non-Plan Non-Qualified Stock Option Agreement
- 10.05(20)+ Intuit Inc. 1993 Equity Incentive Plan, as amended through April 29, 1998

10.06(6) Form of Indemnification Agreement entered into by Intuit with each of its directors and certain executive officers

10.07(9)+ 1992 Stock Option Plan of ChipSoft and related documents

10.08(9)+ 1989 Stock Option Plan of ChipSoft and related documents

10.09(9)+ Softview Acquisition Stock Option Plan of ChipSoft and related documents

10.10(9)+ Restricted Stock Purchase Agreement dated as of March 28, 1991, between ChipSoft and Alan A. Gleicher

10.11(9)+ Non-Transferable, Non Qualified Stock Option Agreement dated as of March 28, 1991, between ChipSoft and Alan A. Gleicher

10.12(9)+ Non-Transferable, Non Qualified Stock Option Agreement dated as of August 1, 1991, between ChipSoft and William H. Harris Jr.

10.13(7)+ Letter Agreement of Employment dated March 30, 1994 between Intuit and William V. Campbell

10.14(10)+ Severance Agreement dated September 30, 1994 between Intuit and Charles H. Gaylord, Jr.

10.15(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

10.16(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

10.17(11) Lease Agreement dated as of November 30, 1994 between Intuit and Charleston Properties for 2475 Garcia Drive, Mountain View, California

10.18(11) Lease Agreement dated as of November 30, 1994 between Intuit and Charleston Properties for 2525 Garcia Drive, Mountain View, California

10.19(11) Lease Agreement dated as of November 30, 1994 between Intuit and Charleston Properties for 2535 Garcia Drive, Mountain View, California

10.20(15) Lease Agreement dated as of November 30, 1994 between Intuit and Charleston Properties for 2500 Garcia Drive, Mountain View, California

</TABLE>

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10.21(15) Lease Agreement dated as of November 30, 1994 between Intuit and Charleston Properties for 2550 Garcia Drive, Mountain View, California

10.22* Lease Agreement dated as of January 7, 1998 between Intuit and Charleston Properties for 2650 Casey Drive, Mountain View, California

10.23(12) Build-to-Suit Lease Agreement dated as of June 9, 1995 between Intuit and Kilroy Realty Corporation, successor to UTC Greenwich Partners, a California limited partnership

10.24(12) Lease Agreement dated as of August 31, 1995 between Intuit and Airport Business Center Associates Limited Partnership, an Arizona limited partnership

10.25* Offer to Purchase Real Estate Agreement dated as of October 14, 1997, as amended on December 5, 1997, between Intuit Inc. and General American Life Insurance Company, for property located at 110 Juliad Court, Fredericksburg, Virginia (purchase and sale agreement)

10.26* Build-to-Suite lease Agreement dated as of April 8, 1998, between Intuit and TACC Investors, LLC for property located at 2800 East Commerce Center Place, Tucson, Arizona

10.27* Amendment to Lease Agreement dated as of June 9, 1995, dated April 14, 1998 between Intuit and Kilroy Realty Corporation, a

successor to UTC Greenwich Partners, a California Limited Partnership

- 10.28(13) Supply Agreement dated August 23, 1995 by and between Intuit Inc. and John H. Harland Company
- 10.29(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)
- 12.01* Computation of Ratio of Earnings to Fixed Charges
- 21.01* List of Intuit's Subsidiaries
- 23.01* Consent of Ernst & Young LLP, Independent Auditors
- 23.02(21) Consent of PricewaterhouseCoopers LLP, Independent Accountants
- 24.01* Power of Attorney (see signature page)
- 27.01* Financial Data Schedule (filed only in electronic format)

</TABLE>

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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 with the Commission 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 with the Commission 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 with the Commission on February 6, 1997
- (4) Incorporated by reference from Intuit's report on Schedule 13D filed with the Commission on July 7, 1997
- (5) Filed as an exhibit to Intuit's Form 8-K filed with the Commission on August 22, 1997 and incorporated by reference
- (6) Filed as an exhibit to Intuit's Registration Statement on Form S-1, filed with the Commission on February 3, 1993, as amended (File No. 33-57884) and incorporated by reference
- (7) Filed as an exhibit to Intuit's Form 10-K as originally filed with the Commission on October 31, 1994, as amended, and incorporated by reference
- (8) Filed as an exhibit to Intuit's Form 10-Q for the quarter ended January 31, 1996, filed with the Commission on March 15, 1996 and incorporated by reference
- (9) Filed as an exhibit to the ChipSoft Form S-1 registration statement filed with the Commission on February 24, 1993 (file No. 33-57692) and incorporated by reference
- (10) Filed as an exhibit to Intuit's Form 10-Q for the quarter ended October 31, 1994, filed with the Commission on December 13, 1994 and incorporated by reference
- (11) Filed as an exhibit to Intuit's Form 10-Q for the quarter ended January 31, 1995, filed with the Commission on March 17, 1995 and incorporated by reference
- (12) Filed as an exhibit to Intuit's Form 10-K for the fiscal year ended July 31, 1995, filed with the Commission on October 30, 1995 and incorporated by reference
- (13) Filed as an exhibit to Intuit's Form 10-Q for the quarter ended October 31, 1995, filed with the Commission on December 14, 1995 and incorporated by reference

- (14) Filed as an exhibit to Intuit's Form 8-K filed with the Commission on September 3, 1996 and incorporated by reference

- (15) Filed as an exhibit to Intuit's Form 10-K for the fiscal year ended July 31, 1997, filed with the Commission on October 15, 1997 and incorporated by reference
- (16) Filed as an exhibit to Intuit's Form 10-Q, Amendment No. 1, for the quarter ended January 31, 1998, filed with the Commission on May 18, 1998 and incorporated by reference
- (17) Filed as an exhibit to Intuit's Form 8-K filed with the Commission on May 2, 1998 and incorporated by reference
- (18) Filed as an exhibit to Intuit's Registration Statement on Form 8-A filed with the Commission on May 5, 1998 and incorporated by reference
- (19) Filed as an exhibit to Intuit's Form 8-K, Amendment No. 1, filed with the Commission on May 19, 1998 and incorporated by reference
- (20) Filed as an exhibit to Intuit's Form 10-Q for the quarter ended April 30, 1998, filed with the Commission on June 12, 1998 and incorporated by reference
- (21) Filed as an exhibit to Intuit's Form 8-K filed with the Commission on July 6, 1998 and incorporated by reference

(b) Reports on Form 8-K

- 1. On May 5, 1998, Intuit filed a report on Form 8-K to report under Item 5 the adoption of a Shareholder Rights Plan and amendment of Intuit's Bylaws
- 2. On May 18, 1998, Intuit filed a report on Form 8-K to report under Items 5 and 7 (i) certain management changes; (ii) the results of the third quarter of fiscal 1998; (iii) the proposed acquisition of Lacerte Software Corporation and Lacerte Educational Services Corporation; (iv) the formation of a joint venture company to focus on the development of certain Web-oriented finance products; and (v) certain SFAS 128 information and certain unaudited financial information of Intuit and the historical and pro forma financial statements of Lacerte Software Corporation and Lacerte Educational Services Corporation
- 3. On May 19, 1998, Intuit filed an Amendment No. 1 to the Form 8-K referred to in (2) above to file under Item 7 as Exhibit 2.01 a copy of the Asset Purchase Agreement
- 4. On May 22, 1998, Intuit filed an Amendment No. 2 to the Form 8-K referred to in (2) above to file under Item 7 as Exhibit 99.04 a copy of the Amended Intuit Inc./Lacerte Software Corporation/Lacerte Educational Services Corporation pro forma financial statements to reflect the larger secondary offering size
- 5. On May 22, 1998, Intuit filed a report on Form 8-K to report under Item 5 that Intuit had entered into an Underwriting Agreement with Deutsche Morgan Grenfell Inc. and the other underwriters named therein (the "Agreement"), and to file as Exhibits 1.01 and 99.01, respectively, a copy of the Agreement and certain press releases
- 6. On July 6, 1998, Intuit filed a report on Form 8-K to report under Item 2 the closing of the acquisition of Lacerte Software Corporation and Lacerte Educational Services Corporation
- 7. On September 8, 1998, Intuit filed an Amendment No. 1 to the Form 8-K referred to in (6) above to file under Item 7 as Exhibit 99.04 the pro forma financial information with respect to the acquisition of Lacerte Software Corporation and Lacerte Educational Services Corporation.

(c) Exhibits

See Item 14(a)(3) above.

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(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 6, 1998

By: /s/ GREG J. SANTORA

Greg J. Santora
Vice President and Chief Financial
Officer

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POWER OF ATTORNEY

By signing this Form 10-K below, I hereby appoint each of William H. Harris, Jr. 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
-----	-----	-----
<S>	<C>	<C>
PRINCIPAL EXECUTIVE OFFICER:		
/s/ WILLIAM H. HARRIS, JR ----- William H. Harris, Jr.	President, Chief Executive Officer and Director	October 6, 1998
PRINCIPAL FINANCIAL OFFICER AND PRINCIPAL ACCOUNTING OFFICER:		
/s/ GREG J. SANTORA ----- Greg J. Santora	Vice President and Chief Financial Officer	October 6, 1998
ADDITIONAL DIRECTORS:		
/s/ WILLIAM V. CAMPBELL ----- William V. Campbell	Chairman of the Board of Directors	October 6, 1998
/s/ SCOTT D. COOK ----- Scott D. Cook	Director	October 6, 1998
/s/ CHRISTOPHER W. BRODY ----- Christopher W. Brody	Director	October 6, 1998
/s/ L. JOHN DOERR ----- L. John Doerr	Director	October 6, 1998
/s/ MICHAEL R. HALLMAN ----- Michael R. Hallman	Director	October 6, 1998

Burton J. McMurtry
</TABLE>

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<S>	<C>	<C>
3.05	Amended and Retated Rights Agreement, dated October 5, 1998.....	
3.06	Certificate of Retirement of Series A Preferred Stock dated September 16, 1998.....	
4.01	Form of Specimen Certificate for Intuit's Common Stock.....	
4.02	Form of Right Certificate for Series B Junior Participating Preferred Stock (included in Exhibit 3.05).....	
10.22	Lease Agreement dated as of January 7, 1998 between Intuit and Charleston Properties for 2650 Casey Drive, Mountain View, California.....	
10.25	Offer to Purchase Real Estate Agreement dated as of October 14, 1997, as amended on December 5, 1997, between Intuit Inc. and General American Life Insurance Company, for property located at 110 Juliad Court, Fredericksburg, Virginia (purchase and sale agreement).....	
10.26	Build-to-Suite lease Agreement dated as of April 8, 1998, between Intuit and TACC Investors, LLC for property located at 2800 East Commerce Center Place, Tucson, Arizona...	
10.27	Amendment to Lease Agreement dated as of June 9, 1995, dated April 14, 1998 between Intuit and Kilroy Realty Corporation, a successor to UTC Greenwich Partners, a California Limited Partnership.....	
12.01	Computation of Ratio of Earnings to Fixed Charges.....	
21.01	List of Intuit's Subsidiaries.....	
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).....	

INTUIT INC.
 AND
 AMERICAN STOCK TRANSFER AND TRUST COMPANY,
 RIGHTS AGENT

AMENDED AND RESTATED
 RIGHTS AGREEMENT
 DATED AS OF OCTOBER 5, 1998

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RIGHTS AGREEMENT

Agreement, amended and restated as of October 5, 1998, between Intuit Inc., a Delaware corporation (the "Company"), and American Stock Transfer and Trust Company (the "Rights Agent").

On April 29, 1998, the Board of Directors of the Company authorized and declared a dividend of one preferred share purchase right (a "Right") for each Common Share (as hereinafter defined) of the Company outstanding at the Close of Business (as hereinafter defined) on May 11, 1998 (the "Record Date"), each Right representing the right to purchase one one-thousandth of a Preferred Share (as hereinafter defined), upon the terms and subject to the conditions herein set forth, and has further authorized and directed the issuance of one Right with respect to each Common Share that shall become outstanding (i) between the Record Date and the earliest of the Distribution Date, the Redemption Date and the Final Expiration Date (as such terms are hereinafter defined) or (ii) following the Distribution Date and prior to the Redemption Date or Final Expiration Date, pursuant to the exercise of stock options or under any employee plan or arrangement or upon the exercise, conversion or exchange of other securities of the Company, which options or securities were outstanding prior to the Distribution Date. On May 1, 1998, the Company and the Rights Agent entered into a Rights Agreement, which permitted the amendment thereof.

On September 16, 1998, the Board of Directors of the Company authorized the amendment and restatement of the Rights Agreement.

Accordingly, in consideration of the premises and the mutual agreements herein set forth, the parties hereto hereby agree as follows:

Section 1. Certain Definitions. For purposes of this Agreement, the following terms have the meanings indicated:

(a) "Acquiring Person" shall mean any Person who or which, together with all Affiliates and Associates of such Person, shall be the Beneficial Owner of 20% (the "Designated Percentage") or more of the Common Shares of the Company then outstanding, but shall not include (i) the Company, (ii) any Subsidiary of the Company, (iii) any employee benefit plan of the Company or any Subsidiary of the Company or (iv) any entity holding Common Shares for or pursuant to the terms of any such plan. Notwithstanding the foregoing,

(A) No Person shall become an Acquiring Person if

the Board of Directors of the Company determines in good faith that a Person who would otherwise be an Acquiring Person has become such inadvertently, and such Person as promptly as practicable takes such actions as may be necessary so that such Person would no longer be considered an Acquiring Person.

(B) No Person shall become an "Acquiring Person" as the result of an acquisition of Common Shares by the Company which, by reducing the number of shares outstanding, increases the proportionate number of shares beneficially owned by such Person and such Person's Affiliates and Associates to the Designated Percentage or more of the Common Shares of the Company then outstanding; provided, however, that if a Person, together with such Person's Affiliates and Associates, shall become the Beneficial Owner of the Designated Percentage or more of the Common Shares of the Company then outstanding by reason of share purchases by the Company and such Person, together with its Affiliates and Associates, shall, after public announcement of such share purchases by the Company, become the Beneficial

Owner of any additional Common Shares of the Company, then such Person shall be deemed to be an "Acquiring Person."

(b) "Affiliate" and "Associate" shall have the following meanings:

(i) An "Affiliate" of, or a Person "affiliated" with, a specified Person, is a Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the Person specified. For this purpose, "control" (including the terms "controlling," "controlled by" and "under common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise;

(ii) The term "Associate" used to indicate a relationship with any Person shall mean (A) any corporation or organization (other than the Company or a majority-owned subsidiary of the Company) of which such Person is an officer or partner or is, directly or indirectly, the Beneficial Owner of 10% or more of any class of equity securities, (B) any trust or other estate in which such Person has a substantial beneficial interest or as to which such Person serves as trustee or in a similar fiduciary capacity, and (C) any relative or spouse of such Person, or any relative of such spouse, who has the same home as such Person or who is a director or officer of the Company or any of its parents or Subsidiaries.

(c) A Person shall be deemed the "Beneficial Owner" of and shall be deemed to "beneficially own" any securities:

(i) which such Person owns, directly or indirectly;

(ii) which such Person has (A) the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding (other than customary agreements with and between underwriters and selling group members with respect to a bona fide public offering of securities), written or otherwise, or upon the exercise of conversion rights, exchange rights, rights (other than the Rights), warrants or options, or otherwise; provided, however, that a Person shall not be deemed to be the Beneficial Owner of, or to beneficially own, securities tendered pursuant to a tender or exchange offer made by or on behalf of such Person until such tendered securities are accepted for purchase or exchange; or (B) the right to vote pursuant to any agreement, arrangement or understanding; provided, however, that a Person shall not be deemed the Beneficial Owner of, or to beneficially own, any security if the agreement, arrangement or understanding to vote such security (1) arises solely from a revocable proxy or consent given to such Person in response to a public proxy or consent solicitation made pursuant to, and in accordance with, the applicable rules and regulations promulgated under the Exchange Act and (2) is not also then reportable on Schedule 13D under the Exchange Act (or any comparable or successor report); or

(iii) which are beneficially owned, directly or indirectly, by any other Person with which such Person has any agreement, arrangement or understanding (other than

customary agreements with and between underwriters and selling group members with respect to a bona fide public offering of securities), written or otherwise, for the purpose of acquiring, holding, voting (except to the extent contemplated by the proviso to Section 1(c)(ii)(B)) or disposing of any securities of the Company.

Notwithstanding anything in this definition of Beneficial

Ownership to the contrary, (A) the phrase "then outstanding," when used with reference to a Person's Beneficial Ownership of securities of the Company, shall mean the number of such securities then issued and outstanding together with the number of such securities not then actually issued and outstanding which such Person would be deemed to own beneficially hereunder, and (B) a Person who is a director or officer of the Company or who is an Affiliate or Associate of a director or officer of the Company (each, an "Exempted Person") shall not be deemed to "beneficially own" Common Shares held by another Exempted Person solely by reason of any agreement, arrangement or understanding, written or otherwise, entered into in opposition to a transaction that, at the time such agreement, arrangement or understanding was entered into, has not been approved or recommended by the Board of Directors to the stockholders of the Company.

(d) "Business Day" shall mean any day other than a Saturday, a Sunday, or a day on which banking institutions in the State of California are authorized or obligated by law or executive order to close.

(e) "Close of Business" on any given date shall mean 5:00 p.m., Pacific Time, on such date; provided, however, that if such date is not a Business Day it shall mean 5:00 p.m., Pacific Time, on the next succeeding Business Day.

(f) "Common Shares" when used with reference to the Company shall mean the shares of common stock, par value \$0.01 per share, of the Company. "Common Shares" when used with reference to any Person other than the Company shall mean the capital stock (or equity interest) with the greatest voting power of such other Person or, if such other Person is a Subsidiary of another Person, the Person or Persons which ultimately control such first-mentioned Person.

(g) "Designated Percentage" shall have the meaning set forth in Section 1(a) hereof.

(h) "Distribution Date" shall have the meaning set forth in Section 3 hereof.

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(i) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

(j) "Final Expiration Date" shall have the meaning set forth in Section 7(a) hereof.

(k) "Person" shall mean any individual, firm, corporation, partnership, limited partnership, business trust, unincorporated association or other entity, and shall include any successor (by merger or otherwise) of such entity.

(l) "Purchase Price" shall have the meaning set forth in Section 7(b) hereof.

(m) "Preferred Shares" shall mean shares of Series B Junior Participating Preferred Stock, par value \$0.01 per share, of the Company having the rights and preferences set forth in the Certificate of Designation attached to this Agreement as Exhibit A.

(n) "Redemption Date" shall have the meaning set forth in Section 7(a) hereof.

(o) "Shares Acquisition Date" shall mean the earlier of the date of (i) the public announcement by the Company or an Acquiring Person that an Acquiring Person has become such or (ii) the public disclosure of facts by the Company or an Acquiring Person indicating that an Acquiring Person has become such.

(p) "Subsidiary" of any Person shall mean any Person of which a majority of the voting power of the voting equity securities or equity interest is owned, directly or indirectly, by such Person.

(q) A "Successor" shall mean the estate or legal representative of a deceased individual, the beneficiary of a deceased individual's estate, a trust created by a deceased individual as grantor, or the beneficiary of a trust created by a deceased individual as grantor.

Section 2. Appointment of Rights Agent. The Company hereby appoints the Rights Agent to act as agent for the Company and the holders of the Rights (who, in accordance with Section 3 hereof, shall prior to the Distribution Date also be the holders of the Common Shares) in accordance with the terms and conditions hereof, and the Rights Agent hereby accepts such appointment. The Company may from time to time appoint such co-Rights Agents as it may deem necessary or desirable.

Section 3. Issue of Right Certificates.

(a) Until the earlier of (i) the tenth day after the Shares Acquisition Date or (ii) the tenth Business Day (or, such later date as may be determined by action of the Board of Directors of the Company prior to such time as any Person becomes an Acquiring Person after the first public announcement of the intention of any Person (other than

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the Company, any Subsidiary of the Company, any employee benefit plan of the Company or of any Subsidiary of the Company or any entity holding Common Shares for or pursuant to the terms of any such plan) to commence a tender or exchange offer the consummation of which would result in any such Person becoming an Acquiring Person (including any such date which is after the date of this Agreement and prior to the issuance of the Rights; the earlier of such dates being herein referred to as the "Distribution Date"); (x) the Rights will be evidenced (subject to the provisions of Section 3(b) hereof) by the certificates for Common Shares registered in the names of the holders thereof (which certificates shall also be deemed to be Right Certificates) and not by separate Right Certificates, and (y) the right to receive Right Certificates will be transferable only in connection with the transfer of Common Shares. As soon as practicable after the Distribution Date, the Company will prepare and execute, the Rights Agent will countersign, and the Company will send or cause to be sent (and the Rights Agent will, if requested, send) by first-class, insured, postage-prepaid mail, to each record holder of Common Shares as of the Close of Business on the Distribution Date, at the address of such holder shown on the records of the Company, a Right Certificate, in substantially the form of Exhibit B hereto (a "Right Certificate"), evidencing one Right for each Common Share so held. As of the Distribution Date, the Rights will be evidenced solely by such Right Certificates.

(b) On the Record Date, or as soon as practicable thereafter, the Company will send a copy of a Summary of Rights to Purchase Preferred Shares, in substantially the form of Exhibit C hereto, prior to the amendment hereof (the "Summary of Rights"), by first-class, postage-prepaid mail, to each record holder of Common Shares as of the Close of Business on the Record Date, at the address of such holder shown on the records of the Company. With respect to certificates for Common Shares outstanding as of the Record Date, until the Distribution Date, the Rights will be evidenced by such certificates registered in the names of the holders thereof together with a copy of the Summary of Rights attached thereto. Until the Distribution Date (or the earlier of the Redemption Date or the Final Expiration Date), the surrender for transfer of any certificate for Common Shares outstanding on the Record Date, with or without a copy of the Summary of Rights attached thereto, shall also constitute the transfer of the Rights associated with the Common Shares represented thereby.

(c) Certificates for Common Shares which become outstanding (including, without limitation, reacquired Common Shares referred to in the last sentence of this paragraph (c)) after the Record Date but prior to the earliest of the Distribution Date, the Redemption Date or the Final Expiration Date shall have impressed on, printed on, written on or otherwise affixed to them the following legend:

This certificate also evidences and entitles the holder hereof to certain rights (the "Rights") as set forth in a Rights Agreement between Intuit Inc. and American Stock Transfer and Trust Company, dated as of May 1, 1998, as such may subsequently be amended (the "Rights Agreement"), the terms of which are hereby incorporated herein by reference and a copy of which is on file at the principal executive offices of Intuit Inc. Under certain circumstances, as set forth in the Rights Agreement, such Rights will be evidenced by separate certificates and will no longer be evidenced by this certificate. Intuit Inc. will mail to the holder of this

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certificate a copy of the Rights Agreement without charge after receipt of a written request therefor. As described in Section 11(a)(ii) of the Rights Agreement, Rights beneficially owned by any Person who becomes an Acquiring Person (as defined in the Rights Agreement) and certain other Persons shall become null and void.

With respect to such certificates containing the foregoing legend, until the Distribution Date, the Rights associated with the Common Shares represented by such certificates shall be evidenced by such certificates alone, and the surrender for transfer of any such certificate shall also constitute the transfer of the Rights associated with the Common Shares represented thereby. In the event that the Company purchases or acquires any Common Shares after the Record Date but prior to the Distribution Date, any Rights associated with such Common Shares shall be deemed cancelled and retired so that the Company shall not be entitled to exercise any Rights associated with the Common Shares which

are no longer outstanding.

Section 4. Form of Right Certificates. The Right Certificates (and the forms of election to purchase Preferred Shares and of assignment to be printed on the reverse thereof) shall be substantially the same as Exhibit B hereto and may have such marks of identification or designation and such legends, summaries or endorsements printed thereon as the Company may deem appropriate and as are not inconsistent with the provisions of this Agreement, or as may be required to comply with any applicable law or with any rule or regulation made pursuant thereto or with any rule or regulation of any stock exchange on which the Rights may from time to time be listed, or to conform to usage. Subject to the other provisions of this Agreement, the Right Certificates shall entitle the holders thereof to purchase such number of one one-thousandths of a Preferred Share as shall be set forth therein at the Purchase Price, but the number of such one one-thousandths of a Preferred Share and the Purchase Price shall be subject to adjustment as provided herein.

Section 5. Countersignature and Registration. The Right Certificates shall be executed on behalf of the Company by its Chairman of the Board, its Chief Executive Officer, its President, any of its Vice Presidents, or its Treasurer, either manually or by facsimile signature, shall have affixed thereto the Company's seal or a facsimile thereof, and shall be attested by the Secretary or any Assistant Secretary of the Company, either manually or by facsimile signature. The Right Certificates shall be manually countersigned by the Rights Agent (unless applicable exchange rules and law permit facsimile signature, in which case the Rights Agent signature may be by facsimile) and shall not be valid for any purpose unless countersigned. In case any officer of the Company who shall have signed any of the Right Certificates shall cease to be such officer of the Company before countersignature by the Rights Agent and issuance and delivery by the Company, such Right Certificates, nevertheless, may be countersigned by the Rights Agent and issued and delivered by the Company with the same force and effect as though the person who signed such Right Certificates had not ceased to be such officer of the Company; and any Right Certificate may be signed on behalf of the Company by any person who, at the actual date of the execution of such Right Certificate, shall be a proper officer of the Company to sign such Right Certificate, although at the date of the execution of this Rights Agreement any such person was not such an officer.

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Following the Distribution Date, the Rights Agent will keep or cause to be kept, at its principal office, books for registration and transfer of the Right Certificates issued hereunder. Such books shall show the names and addresses of the respective holders of the Right Certificates, the number of Rights evidenced on its face by each of the Right Certificates and the date of each of the Right Certificates.

Section 6. Transfer, Split Up, Combination and Exchange of Right Certificates; Mutilated, Destroyed, Lost or Stolen Right Certificates. Subject to the provisions of Section 14 hereof, at any time after the Close of Business on the Distribution Date, and at or prior to the Close of Business on the earlier of the Redemption Date or the Final Expiration Date, any Right Certificate or Right Certificates (other than Right Certificates representing Rights that have become void pursuant to Section 11(a)(ii) hereof or that have been exchanged pursuant to Section 24 hereof) may be transferred, split up, combined or exchanged for another Right Certificate or Right Certificates, entitling the registered holder to purchase a like number of one one-thousandths of a Preferred Share as the Right Certificate or Right Certificates surrendered then entitled such holder to purchase. Any registered holder desiring to transfer, split up, combine or exchange any Right Certificate or Right Certificates shall make such request in writing delivered to the Rights Agent, and shall surrender the Right Certificate or Right Certificates to be transferred, split up, combined or exchanged at the principal office of the Rights Agent. Thereupon the Company shall execute and the Rights Agent shall countersign and deliver to the person entitled thereto a Right Certificate or Right Certificates, as the case may be, as so requested. The Company may require payment of a sum sufficient for any tax or governmental charge that may be imposed in connection with any transfer, split up, combination or exchange of Right Certificates.

Upon receipt by the Company and the Rights Agent of evidence reasonably satisfactory to them of the loss, theft, destruction or mutilation of a Right Certificate, and, in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to them, and, at the Company's request, reimbursement to the Company and the Rights Agent of all reasonable expenses incidental thereto, and upon surrender to the Rights Agent and cancellation of the Right Certificate if mutilated, the Company will make and deliver a new Right Certificate of like tenor to the Rights Agent for delivery to the registered holder in lieu of the Right Certificate so lost, stolen, destroyed or mutilated.

Section 7. Exercise of Rights; Purchase Price; Expiration Date of Rights.

(a) The registered holder of any Right Certificate may exercise the Rights evidenced thereby (except as otherwise provided herein) in whole or in part at any time after the Distribution Date upon surrender of the Right Certificate, with the form of election to purchase on the reverse side thereof duly executed, to the Rights Agent at the principal office of the Rights Agent, together with payment of the Purchase Price for each one one-thousandth of a Preferred Share as to which the Rights are exercised, at or prior to the earliest of (i) the Close of Business on May 1, 2008 (the "Final Expiration Date"), (ii) the time at which the Rights are redeemed as provided in Section 23 hereof (the "Redemption Date"), or (iii) the time at which such Rights are exchanged as provided in Section 24 hereof.

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(b) The purchase price for each one one-thousandth of a Preferred Share pursuant to the exercise of a Right (the "Purchase Price") shall initially be \$250.00, shall be subject to adjustment from time to time as provided in Sections 11 and 13 hereof and shall be payable in lawful money of the United States of America in accordance with paragraph (c) below.

(c) Upon receipt of a Right Certificate representing exercisable Rights, with the form of election to purchase and certificate duly executed, accompanied by payment of the Purchase Price for the shares to be purchased and an amount equal to any applicable transfer tax required to be paid by the holder of such Right Certificate in accordance with Section 9 hereof by certified check, cashier's check or money order payable to the order of the Company, the Rights Agent shall thereupon promptly (i) (A) requisition from any transfer agent of the Preferred Shares certificates for the number of one one-thousandths of a Preferred Share to be purchased and the Company hereby irrevocably authorizes its transfer agent to comply with all such requests, or (B) requisition from any depository agent for the Preferred Shares depository receipts representing such number of one one-thousandths of a Preferred Share as are to be purchased (in which case certificates for the Preferred Shares represented by such receipts shall be deposited by the transfer agent with the depository agent) and the Company hereby directs the depository agent to comply with such request, (ii) when appropriate, requisition from the Company the amount of cash to be paid in lieu of issuance of fractional Preferred Shares in accordance with Section 14 hereof, (iii) after receipt of such certificates or depository receipts, cause the same to be delivered to or upon the order of the registered holder of such Right Certificate, registered in such name or names as may be designated by such holder and (iv) when appropriate, after receipt, deliver such cash to or upon the order of the registered holder of such Right Certificate.

(d) In case the registered holder of any Right Certificate shall exercise less than all the Rights evidenced thereby, a new Right Certificate evidencing Rights equivalent to the Rights remaining unexercised shall be issued by the Rights Agent to the registered holder of such Right Certificate or to such holder's duly authorized assigns, subject to the provisions of Section 14 hereof.

(e) The Company covenants and agrees that it will cause to be reserved and kept available, out of its authorized and unissued Preferred Shares or any Preferred Shares held in its treasury, the number of Preferred Shares that will be sufficient to permit the exercise in full of all outstanding Rights in accordance with this Section 7.

(f) Notwithstanding anything in this Agreement to the contrary, neither the Rights Agent nor the Company shall be obligated to undertake any action with respect to a registered holder upon the occurrence of any purported exercise as set forth in this Section 7 unless such registered holder shall have (i) completed and signed the certificate following the form of election to purchase set forth on the reverse side of the Right Certificate surrendered for such exercise and (ii) provided such additional evidence of the identity of the Beneficial Owner (or former Beneficial Owner) or Affiliates or Associates thereof as the Company shall reasonably request.

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Section 8. Cancellation and Destruction of Right Certificates. All Right Certificates surrendered for the purpose of exercise, transfer, split up, combination or exchange shall, if surrendered to the Company or to any of its agents, be delivered to the Rights Agent for cancellation or in cancelled form, or, if surrendered to the Rights Agent, shall be cancelled by it, and no Right Certificates shall be issued in lieu thereof except as expressly permitted by any of the provisions of this Rights Agreement. The Company shall deliver to the Rights Agent for cancellation and retirement, and the Rights Agent shall so cancel and retire, any other Right Certificate purchased or acquired by the Company otherwise than upon the exercise thereof. The Rights Agent shall deliver all cancelled Right Certificates to the Company, or shall, at the written

request of the Company, destroy such cancelled Right Certificates, and in such case shall deliver a certificate of destruction thereof to the Company.

Section 9. Status and Availability of Preferred Shares. The Company covenants and agrees that it will take all such action as may be necessary to ensure that all Preferred Shares delivered upon exercise of Rights shall, at the time of delivery of the certificates for such Preferred Shares (subject to payment of the Purchase Price), be duly and validly authorized and issued and fully paid and non-assessable shares.

The Company further covenants and agrees that it will pay when due and payable any and all federal and state transfer taxes and charges which may be payable in respect of the issuance or delivery of the Right Certificates or of any Preferred Shares upon the exercise of Rights. The Company shall not, however, be required to pay any transfer tax which may be payable in respect of any transfer or delivery of Right Certificates to a person other than, or the issuance or delivery of certificates or depositary receipts for the Preferred Shares in a name other than that of, the registered holder of the Right Certificate evidencing Rights surrendered for exercise or to issue or to deliver any certificates or depositary receipts for Preferred Shares upon the exercise of any Rights until any such tax shall have been paid (any such tax being payable by the holder of such Right Certificate at the time of surrender) or until it has been established to the Company's reasonable satisfaction that no such tax is due.

Section 10. Preferred Shares Record Date. Each person in whose name any certificate for Preferred Shares is issued upon the exercise of Rights shall for all purposes be deemed to have become the holder of record of the Preferred Shares represented thereby on, and such certificate shall be dated, the date upon which the Right Certificate evidencing such Rights was duly surrendered and payment of the Purchase Price (and any applicable transfer taxes) was made. Prior to the exercise of the Rights evidenced thereby, the holder of a Right Certificate shall not be entitled to any rights of a holder of Preferred Shares for which the Rights shall be exercisable, including, without limitation, the right to vote, to receive dividends or other distributions or to exercise any preemptive rights, and shall not be entitled to receive any notice of any proceedings of the Company, except as provided herein.

Section 11. Adjustment of Purchase Price, Number of Shares or Number of Rights. The Purchase Price, the number of Preferred Shares covered by each Right and the number of Rights outstanding are subject to adjustment from time to time as provided in this Section 11.

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(a) (i) In the event the Company shall at any time after the date of this Agreement (A) declare a dividend on the Preferred Shares payable in Preferred Shares, (B) subdivide the outstanding Preferred Shares, (C) combine the outstanding Preferred Shares into a smaller number of Preferred Shares or (D) issue any shares of its capital stock in a reclassification of the Preferred Shares (including any such reclassification in connection with a consolidation or merger in which the Company is the continuing or surviving corporation), except as otherwise provided in this Section 11(a), the Purchase Price in effect at the time of the record date for such dividend or of the effective date of such subdivision, combination or reclassification, and the number and kind of shares of capital stock issuable on such date, shall be proportionately adjusted so that the holder of any Right exercised after such time shall be entitled to receive the aggregate number and kind of shares of capital stock which, if such Right had been exercised immediately prior to such date, such holder would have owned upon such exercise and been entitled to receive by virtue of such dividend, subdivision, combination or reclassification; provided, however, that in no event shall the consideration to be paid upon the exercise of one Right be less than the aggregate par value of the shares of capital stock of the Company issuable upon exercise of one Right.

(ii) Subject to the last paragraph of this subparagraph (ii) and to Section 24 of this Agreement, in the event that any Person shall become an Acquiring Person, unless the event causing the Designated Percentage threshold to be crossed and the Person to thereby become an Acquiring Person is a transaction set forth in Section 13 hereof, each holder of a Right shall thereafter have a right to receive, upon exercise thereof at a price equal to the then current Purchase Price multiplied by the number of one one-thousandths of a Preferred Share for which a Right is then exercisable, in accordance with the terms of this Agreement and in lieu of Preferred Shares, such number of Common Shares of the Company as shall equal the result obtained by (x) multiplying the then current Purchase Price by the number of one one-thousandths of a Preferred Share for which a Right is then exercisable and dividing that product by (y) 50% of the then current per share market price of the Company's Common Shares (determined pursuant to Section 11(d) hereof) on the date such Person became an Acquiring Person.

From and after the occurrence of any Person becoming an Acquiring Person, any Rights that are or were acquired or beneficially owned by

such Acquiring Person (or any Associate or Affiliate of such Acquiring Person) shall be void and any holder of

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such Rights shall thereafter have no right to exercise such Rights under any provision of this Agreement. No Right Certificate shall be issued pursuant to Section 3 that represents Rights beneficially owned by an Acquiring Person whose Rights would be void pursuant to the preceding sentence or any Associate or Affiliate thereof; no Right Certificate shall be issued at any time upon the transfer of any Rights to an Acquiring Person whose Rights would be void pursuant to the preceding sentence or any Associate or Affiliate thereof or to any nominee of such Acquiring Person, Associate or Affiliate; and any Right Certificate delivered to the Rights Agent for transfer to an Acquiring Person whose Rights would be void pursuant to the preceding sentence or any Associate or Affiliate thereof shall be cancelled. This paragraph shall apply not only to an initial Acquiring Person, and its Affiliates and Associates, but also to subsequent Acquiring Persons, and their Affiliates and Associates.

(iii) In the event that the number of Common Shares which are authorized by the Company's certificate of incorporation and not outstanding or subscribed for, or reserved or otherwise committed for issuance for purposes other than upon exercise of the Rights, is not sufficient to permit the holder of each Right to purchase the number of Common Shares to which such holder would be entitled upon the exercise in full of the Rights in accordance with the foregoing subparagraph (ii) of paragraph (a) of this Section 11, the Company shall: (A) determine the excess of (1) the value of the Common Shares issuable upon the exercise of a Right (calculated as provided in the last sentence of this subparagraph (iii)) pursuant to Section 11(a)(ii) hereof (the "Current Value") over (2) the Purchase Price (such excess, the "Spread"), and (B) with respect to each Right, make adequate provision to substitute for such Common Shares, upon payment of the applicable Purchase Price, (1) cash, (2) a reduction in the Purchase Price, (3) Common Shares or other equity securities of the Company (including, without limitation, shares, or units of shares, of preferred stock which the Board of Directors of the Company has determined to have the same value as shares of common stock (such equity securities, "common stock equivalents")), (4) debt securities of the Company, (5) other assets, or (6) any combination of the foregoing, having an aggregate value equal to the Current Value, where such aggregate value has been determined by the Board of Directors of the Company in good faith; provided, however, if the Company shall not have made adequate provision to deliver value pursuant to clause (B) above within thirty (30) days following the later of (x) the first occurrence of an event triggering the rights to purchase Common Shares described in Section 11(a)(ii) and (y) the date on which the Company's right of redemption pursuant to Section 23(a) expires (the later of (x) and (y) being referred to herein as the "Section 11(a)(ii) Trigger Date"), then the Company shall be obligated to deliver, upon the surrender for exercise of a Right without requiring payment of the Purchase Price, shares of common stock (to the extent available) and then, if necessary, cash, which shares and cash have an aggregate value equal to the Spread. If the Board of Directors of the Company shall determine in good faith that it is likely that sufficient additional shares of common stock could be authorized for issuance upon exercise in full of the Rights, the thirty (30) day period set forth above may be extended to the extent necessary, but not more than ninety (90) days after the Section 11(a)(ii) Trigger Date, in order that the Company may seek stockholder approval for the authorization of such additional shares (such period, as it may be extended, the "Substitution Period"). To the extent that the Company determines that some action need be taken pursuant to the first and/or second sentences of this Section 11(a)(iii), the Company (x) shall provide, subject to Section 7(f) hereof, that such

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action shall apply uniformly to all outstanding Rights, and (y) may suspend the exercisability of the Rights until the expiration of the Substitution Period in order to seek any authorization of additional shares and/or to decide the appropriate form of distribution to be made pursuant to such first sentence and to determine the value thereof. In the event of any such suspension, the Company shall make a public announcement, and shall deliver to the Rights Agent a statement, stating that the exercisability of the Rights has been temporarily suspended. At such time as the suspension is no longer in effect, the Company shall make another public announcement, and deliver to the Rights Agent a statement, so stating. For purposes of this Section 11(a)(iii), the value of the Common Shares shall be the current per share market price (as determined pursuant to Section 11(d)(i) hereof) of the Common Shares on the Section 11(a)(ii) Trigger Date and the value of any "common stock equivalent" shall be deemed to have the same value as the Common Shares on such date.

(b) In case the Company shall fix a record date for the issuance of rights, options or warrants to all holders of Preferred Shares entitling them to subscribe for or purchase Preferred Shares (or shares having the same rights, privileges and preferences as the Preferred Shares ("equivalent preferred

shares")) or securities convertible into Preferred Shares or equivalent preferred shares at a price per Preferred Share or equivalent preferred share (or having a conversion price per share, if a security convertible into Preferred Shares or equivalent preferred shares) less than the then current per share market price of the Preferred Shares (as defined in Section 11(d)) on such record date, the Purchase Price to be in effect after such record date shall be determined by multiplying the Purchase Price in effect immediately prior to such record date by a fraction, the numerator of which shall be the number of Preferred Shares outstanding on such record date plus the number of Preferred Shares which the aggregate offering price of the total number of Preferred Shares and/or equivalent preferred shares so to be offered (and/or the aggregate initial conversion price of the convertible securities so to be offered) would purchase at such current market price and the denominator of which shall be the number of Preferred Shares outstanding on such record date plus the number of additional Preferred Shares and/or equivalent preferred shares to be offered for subscription or purchase (or into which the convertible securities so to be offered are initially convertible); provided, however, that in no event shall the consideration to be paid upon the exercise of one Right be less than the aggregate par value of the shares of capital stock of the Company issuable upon exercise of one Right. In case such subscription price may be paid in a consideration part or all of which shall be in a form other than cash, the value of such consideration shall be as determined in good faith by the Board of Directors of the Company, whose determination shall be described in a statement filed with the Rights Agent. Preferred Shares owned by or held for the account of the Company shall not be deemed outstanding for the purpose of any such computation. Such adjustment shall be made successively whenever such a record date is fixed; and in the event that such rights, options or warrants are not so issued, the Purchase Price shall be adjusted to be the Purchase Price which would then be in effect if such record date had not been fixed.

(c) In case the Company shall fix a record date for the making of a distribution to all holders of the Preferred Shares (including any such distribution made in connection with a consolidation or merger in which the Company is the continuing or surviving corporation) of evidences of indebtedness or assets (other than a regular quarterly cash dividend

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or a dividend payable in Preferred Shares) or subscription rights or warrants (excluding those referred to in Section 11(b) hereof), the Purchase Price to be in effect after such record date shall be determined by multiplying the Purchase Price in effect immediately prior to such record date by a fraction, the numerator of which shall be the then current per share market price of the Preferred Shares on such record date, less the fair market value (as determined in good faith by the Board of Directors of the Company, whose determination shall be described in a statement filed with the Rights Agent) of the portion of the assets or evidences of indebtedness so to be distributed or of such subscription rights or warrants applicable to one Preferred Share and the denominator of which shall be such current per share market price of the Preferred Shares; provided, however, that in no event shall the consideration to be paid upon the exercise of one Right be less than the aggregate par value of the shares of capital stock of the Company to be issued upon exercise of one Right. Such adjustments shall be made successively whenever such a record date is fixed; and in the event that such distribution is not so made, the Purchase Price shall again be adjusted to be the Purchase Price which would then be in effect if such record date had not been fixed.

(d) (i) For the purpose of any computation hereunder, the "current per share market price" of any security (a "Security" for the purpose of this Section 11(d)(i)) on any date shall be deemed to be the average of the daily closing prices per share of such Security for the 30 consecutive Trading Days (as such term is hereinafter defined) immediately prior to such date; provided, however, that in the event that the current per share market price of the Security is determined during a period following the announcement by the issuer of such Security of (A) a dividend or distribution on such Security payable in shares of such Security or securities convertible into such shares, or (B) any subdivision, combination or reclassification of such Security and prior to the expiration of 30 Trading Days after the ex-dividend date for such dividend or distribution, or the record date for such subdivision, combination or reclassification, then, and in each such case, the current per share market price shall be appropriately adjusted to reflect the current market price per share equivalent of such Security. The closing price for each day shall be the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if the Security is not listed or admitted to trading on the New York Stock Exchange, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the Security is listed or admitted to trading or, if the Security is not listed or admitted to trading on any national securities exchange, the last quoted price, or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by the Nasdaq Stock Market

("Nasdaq") or such other system then in use, or, if on any such date the Security is not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Security selected by the Board of Directors of the Company. The term "Trading Day" shall mean a day on which the principal national securities exchange on which the Security is listed or admitted to trading is open for the transaction of business or, if the Security is not listed or admitted to trading on any national securities exchange, a Business Day.

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(ii) For the purpose of any computation hereunder, the "current per share market price" of the Preferred Shares shall be determined in accordance with the method set forth in Section 11(d)(i). If the Preferred Shares are not publicly traded, the "current per share market price" of the Preferred Shares shall be conclusively deemed to be the current per share market price of the Common Shares as determined pursuant to Section 11(d)(i) (appropriately adjusted to reflect any stock split, stock dividend or similar transaction occurring after the date hereof), multiplied by one thousand. If neither the Common Shares nor the Preferred Shares are publicly held or so listed or traded, "current per share market price" shall mean the fair value per share as determined in good faith by the Board of Directors of the Company, whose determination shall be described in a statement filed with the Rights Agent.

(e) No adjustment in the Purchase Price shall be required unless such adjustment would require an increase or decrease of at least 1% in the Purchase Price; provided, however, that any adjustments which by reason of this Section 11(e) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section 11 shall be made to the nearest cent or to the nearest one ten-millionth of a Preferred Share or one ten-thousandth of any other share or security as the case may be. Notwithstanding the first sentence of this Section 11(e), any adjustment required by this Section 11 shall be made no later than three years from the date of the transaction which requires such adjustment.

(f) If as a result of an adjustment made pursuant to Section 11(a) hereof, the holder of any Right thereafter exercised shall become entitled to receive any shares of capital stock of the Company other than Preferred Shares, the number of such other shares so receivable upon exercise of any Right shall thereafter be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the Preferred Shares contained in Section 11(a) through (c), inclusive, and the provisions of Sections 7, 9, 10 and 13 with respect to the Preferred Shares shall apply on like terms to any such other shares.

(g) All Rights originally issued by the Company subsequent to any adjustment made to the Purchase Price hereunder shall evidence the right to purchase, at the adjusted Purchase Price, the number of one one-thousandths of a Preferred Share purchasable from time to time hereunder upon exercise of the Rights, all subject to further adjustment as provided herein.

(h) Unless the Company shall have exercised its election as provided in Section 11(i), upon each adjustment of the Purchase Price as a result of the calculations made in Sections 11(b) and (c), each Right outstanding immediately prior to the making of such adjustment shall thereafter evidence the right to purchase, at the adjusted Purchase Price, that number of one one-thousandths of a Preferred Share (calculated to the nearest one ten-millionth of a Preferred Share) obtained by (i) multiplying (x) the number of one one-thousandths of a share covered by a Right immediately prior to this adjustment by (y) the Purchase Price in effect immediately prior to such adjustment of the Purchase Price and (ii) dividing the product so obtained by the Purchase Price in effect immediately after such adjustment of the Purchase Price.

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(i) The Company may elect on or after the date of any adjustment of the Purchase Price to adjust the number of Rights in substitution for any adjustment in the number of one one-thousandths of a Preferred Share purchasable upon the exercise of a Right. Each of the Rights outstanding after such adjustment of the number of Rights shall be exercisable for the number of one one-thousandths of a Preferred Share for which a Right was exercisable immediately prior to such adjustment. Each Right held of record prior to such adjustment of the number of Rights shall become that number of Rights (calculated to the nearest one ten-thousandth) obtained by dividing the Purchase Price in effect immediately prior to adjustment of the Purchase Price by the Purchase Price in effect immediately after adjustment of the Purchase Price. The Company shall make a public announcement of its election to adjust the number of Rights, indicating the record date for the adjustment, and, if known at the time, the amount of the adjustment to be made. This record date may be the date

on which the Purchase Price is adjusted or any day thereafter, but, if the Right Certificates have been distributed, shall be at least 10 days later than the date of the public announcement. If Right Certificates have been distributed, upon each adjustment of the number of Rights pursuant to this Section 11(i), the Company shall, as promptly as practicable, cause to be distributed to holders of record of Right Certificates on such record date Right Certificates evidencing, subject to Section 14 hereof, the additional Rights to which such holders shall be entitled as a result of such adjustment, or, at the option of the Company, shall cause to be distributed to such holders of record in substitution and replacement for the Right Certificates held by such holders prior to the date of adjustment, and upon surrender thereof, if required by the Company, new Right Certificates evidencing all the Rights to which such holders shall be entitled after such adjustment. Right Certificates to be so distributed shall be issued, executed and countersigned in the manner provided for herein and shall be registered in the names of the holders of record of Right Certificates on the record date specified in the public announcement.

(j) Irrespective of any adjustment or change in the Purchase Price or the number of one one-thousandths of a Preferred Share issuable upon the exercise of the Rights, the Right Certificates theretofore and thereafter issued may continue to express the Purchase Price and the number of one one-thousandths of a Preferred Share which were expressed in the initial Right Certificates issued hereunder.

(k) Before taking any action that would cause an adjustment reducing the Purchase Price below one one-thousandth of the then par value of the Preferred Shares issuable upon exercise of the Rights, the Company shall take any corporate action which may, in the opinion of its counsel, be necessary in order that the Company may validly and legally issue fully paid and non-assessable Preferred Shares at such adjusted Purchase Price.

(l) In any case in which this Section 11 shall require that an adjustment in the Purchase Price be made effective as of a record date for a specified event, the Company may elect to defer until the occurrence of such event the issuing to the holder of any Right exercised after such record date of the Preferred Shares and other capital stock or securities of the Company, if any, issuable upon such exercise over and above the Preferred Shares and other capital stock or securities of the Company, if any, issuable upon such exercise on the basis of the Purchase Price in effect prior to such adjustment; provided, however, that the Company shall

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deliver to such holder a due bill or other appropriate instrument evidencing such holder's right to receive such additional shares upon the occurrence of the event requiring such adjustment.

(m) Anything in this Section 11 to the contrary notwithstanding, the Company shall be entitled to make such reductions in the Purchase Price, in addition to those adjustments expressly required by this Section 11, as and to the extent that it in its sole discretion shall determine to be advisable in order that any (i) consolidation or subdivision of the Preferred Shares, (ii) issuance wholly for cash of Preferred Shares or securities which by their terms are convertible into or exchangeable for Preferred Shares, (iii) dividends on Preferred Shares payable in Preferred Shares or (iv) issuance of any rights, options or warrants referred to hereinabove in Section 11(b), hereafter made by the Company to holders of its Preferred Shares shall not be taxable to such stockholders.

(n) In the event that at any time after the date of this Agreement and prior to the Distribution Date, the Company shall (i) declare or pay any dividend on the Common Shares payable in Common Shares or (ii) effect a subdivision, combination or consolidation of the Common Shares (by reclassification or otherwise other than by payment of dividends in Common Shares) into a greater or lesser number of Common Shares, then in any such case (i) the number of one one-thousandths of a Preferred Share purchasable after such event upon proper exercise of each Right shall be determined by multiplying the number of one one-thousandths of a Preferred Share so purchasable immediately prior to such event by a fraction, the numerator of which is the number of Common Shares outstanding immediately before such event and the denominator of which is the number of Common Shares outstanding immediately after such event, and (ii) each Common Share outstanding immediately after such event shall have issued with respect to it that number of Rights which each Common Share outstanding immediately prior to such event had issued with respect to it. The adjustments provided for in this Section 11(n) shall be made successively whenever such a dividend is declared or paid or such a subdivision, combination or consolidation is effected.

(o) The Company covenants and agrees that, after the Distribution Date, it will not, except as permitted by Sections 23, 24 and 27, take (or permit any Subsidiary to take) any action if the purpose of such action is to, or if at the time such action is taken it is reasonably foreseeable that such action will, diminish substantially or eliminate the benefits intended to be

afforded by the Rights.

Section 12. Certificate of Adjusted Purchase Price or Number of Shares. Whenever an adjustment is made as provided in Sections 11 and 13 hereof, the Company shall promptly (a) prepare a certificate setting forth such adjustment, and a brief statement of the facts accounting for such adjustment, (b) file with the Rights Agent and with each transfer agent for the Common Shares or the Preferred Shares a copy of such certificate and (c) mail a brief summary thereof to each holder of a Right Certificate in accordance with Section 25 hereof.

Section 13. Consolidation, Merger or Sale or Transfer of Assets or Earning Power. In the event that any Person shall become an Acquiring Person, and, directly or indirectly, (a) the Company shall consolidate with, or merge with and into, an Acquiring Person, or an Affiliate or Associate of an

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Acquiring Person, (b) an Acquiring Person or an Affiliate or Associate of an Acquiring Person, shall consolidate with the Company, or merge with and into the Company and the Company shall be the continuing or surviving corporation of such merger and, in connection with such merger, all or part of the Common Shares shall be changed into or exchanged for stock or other securities of any other Person (or the Company) or cash or any other property, or (c) the Company shall sell or otherwise transfer (or one or more of its Subsidiaries shall sell or otherwise transfer), in one or more transactions, assets or earning power aggregating 50% or more of the assets or earning power of the Company and its Subsidiaries (taken as a whole) to an Acquiring Person, or an Affiliate or Associate of an Acquiring Person, then, and in each such case, proper provision shall be made so that (i) each holder of a Right (except as otherwise provided herein) shall thereafter have the right to receive, upon the exercise thereof at a price equal to the then current Purchase Price multiplied by the number of one one-thousandths of a Preferred Share for which a Right is then exercisable, in accordance with the terms of this Agreement and in lieu of Preferred Shares, such number of Common Shares of the Person in the transaction (including the Company as successor thereto or as the surviving corporation) who is issuing the consideration with the greatest fair market value to the Company and its stockholders in connection with such transaction (the "Principal Issuer") as shall equal the result obtained by (A) multiplying the then current Purchase Price by the number of one one-thousandths of a Preferred Share for which a Right is then exercisable and dividing that product by (B) 50% of the then current per share market price of the Common Shares of the Principal Issuer (determined pursuant to Section 11(d) hereof) on the date of consummation of such consolidation, merger, sale or transfer; (ii) the Principal Issuer shall thereafter be liable for, and shall assume, by virtue of such consolidation, merger, sale or transfer, all the obligations and duties of the Company pursuant to this Agreement; (iii) the term "Company" shall thereafter be deemed to refer to the Principal Issuer; and (iv) the Principal Issuer shall take such steps (including, but not limited to, the reservation of a sufficient number of its Common Shares in accordance with Section 9 hereof) in connection with such consummation as may be necessary to assure that the provisions hereof shall thereafter be applicable, as nearly as reasonably may be, in relation to the Common Shares thereafter deliverable upon the exercise of the Rights. The Company covenants and agrees that it shall not consummate any such consolidation, merger, sale or transfer unless prior thereto the Company and the Principal Issuer shall have executed and delivered to the Rights Agent a supplemental agreement so providing. The Company shall not enter into any transaction of the kind referred to in this Section 13 if at the time of such transaction there are any rights, warrants, instruments or securities outstanding or any agreements or arrangements which, as a result of the consummation of such transaction, would eliminate or substantially diminish the benefits intended to be afforded by the Rights. The provisions of this Section 13 shall similarly apply to successive mergers or consolidations or sales or other transfers.

Section 14. Fractional Rights and Fractional Shares.

(a) The Company shall not be required to issue fractions of Rights or to distribute Right Certificates which evidence fractional Rights. In lieu of such fractional Rights, there shall be paid to the registered holders of the Right Certificates with regard to which such fractional Rights would otherwise be issuable, an amount in cash equal to the same fraction of the current market value of a whole Right. For the purposes of this Section 14(a), the current

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market value of a whole Right shall be the closing price of the Rights for the Trading Day immediately prior to the date on which such fractional Rights would have been otherwise issuable. The closing price for any day shall be the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as

reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if the Rights are not listed or admitted to trading on the New York Stock Exchange, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the Rights are listed or admitted to trading or, if the Rights are not listed or admitted to trading on any national securities exchange, the last quoted price or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by Nasdaq or such other system then in use or, if on any such date the Rights are not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Rights selected by the Board of Directors of the Company. If on any such date no such market maker is making a market in the Rights, the fair value of the Rights on such date as determined in good faith by the Board of Directors of the Company shall be used.

(b) The Company shall not be required to issue fractions of Preferred Shares (other than fractions which are integral multiples of one one-thousandth of a Preferred Share) upon exercise of the Rights or to distribute certificates which evidence fractional Preferred Shares (other than fractions which are integral multiples of one one-thousandth of a Preferred Share). Fractions of Preferred Shares in integral multiples of one one-thousandth of a Preferred Share may, at the election of the Company, be evidenced by depositary receipts, pursuant to an appropriate agreement between the Company and a depositary selected by it; provided, that such agreement shall provide that the holders of such depositary receipts shall have all the rights, privileges and preferences to which they are entitled as beneficial owners of the Preferred Shares represented by such depositary receipts. In lieu of fractional Preferred Shares that are not integral multiples of one one-thousandth of a Preferred Share, the Company shall pay to the registered holders of Right Certificates at the time such Rights are exercised as herein provided an amount in cash equal to the same fractions of the current market value of one Preferred Share. For the purposes of this Section 14(b), the current market value of a Preferred Share shall be the closing price of a Preferred Share (as determined pursuant to the second sentence of Section 11(d)(i) hereof) for the Trading Day immediately prior to the date of such exercise.

(c) The holder of a Right by the acceptance of the Right expressly waives any right to receive fractional Rights or fractional shares upon exercise of a Right (except as provided above).

Section 15. Rights of Action. All rights of action in respect of this Agreement, excepting the rights of action given to the Rights Agent under Section 18 hereof, are vested in the respective registered holders of the Right Certificates (and, prior to the Distribution Date, the registered holders of the Common Shares); and any registered holder of any Right Certificate (or, prior to the Distribution Date, of the Common Shares) may, without the consent of the Rights Agent or of the holder of any other Right Certificate (or, prior to the Distribution Date, of the

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Common Shares), in such holder's own behalf and for such holder's own benefit, enforce, and may institute and maintain any suit, action or proceeding against the Company to enforce, or otherwise act in respect of, such holder's right to exercise the Rights evidenced by such Right Certificate in the manner provided in such Right Certificate and in this Agreement. Without limiting the foregoing or any remedies available to the holders of Rights, it is specifically acknowledged that the holders of Rights would not have an adequate remedy at law for any breach of this Agreement and will be entitled to specific performance of the obligations under, and injunctive relief against actual or threatened violations of the obligations of any Person subject to, this Agreement.

Section 16. Agreement of Right Holders. Every holder of a Right, by accepting the same, consents and agrees with the Company and the Rights Agent and with every other holder of a Right that:

(a) prior to the Distribution Date, the Rights will be transferable only in connection with the transfer of the Common Shares;

(b) after the Distribution Date, the Right Certificates are transferable only on the registry books maintained by the Rights Agent if surrendered at the principal office of the Rights Agent, duly endorsed or accompanied by a proper instrument of transfer; and

(c) the Company and the Rights Agent may deem and treat the person in whose name the Right Certificate (or, prior to the Distribution Date, the associated Common Shares certificate) is registered as the absolute owner thereof and of the Rights evidenced thereby (notwithstanding any notations of ownership or writing on the Right Certificates or the associated Common Shares certificate made by anyone other than the Company or the Rights Agent) for all purposes whatsoever, and neither the Company nor the Rights Agent shall be

affected by any notice to the contrary.

Section 17. Right Certificate Holder Not Deemed a Stockholder. No holder, as such, of any Right Certificate shall be entitled to vote, receive dividends or be deemed for any purpose the holder of the Preferred Shares or any other securities of the Company which may at any time be issuable on the exercise of the Rights represented thereby nor shall anything contained herein or in any Right Certificate be construed to confer upon the holder of any Right Certificate, as such, any of the rights of a stockholder of the Company or any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of meetings or other actions affecting stockholders (except as provided in Section 25 hereof), or to receive dividends or subscription rights, or otherwise, until the Right or Rights evidenced by such Right Certificate shall have been exercised in accordance with the provisions hereof.

Section 18. Compensation and Indemnity of the Rights Agent. The Company agrees to pay to the Rights Agent reasonable compensation for all services rendered by it hereunder and, from time to time, on demand of the Rights Agent, its reasonable expenses and counsel fees and other disbursements incurred in the administration and execution of this Agreement and the

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exercise and performance of its duties hereunder. The Company also agrees to indemnify the Rights Agent (including employees, directors, officers and agents of the Rights Agent) for, and to hold it harmless against, any loss, liability or expense, incurred without negligence, bad faith or willful misconduct on the part of the Rights Agent (including employees, directors, officers and agents of the Rights Agent), for anything done or omitted by the Rights Agent (including employees, directors, officers and agents of the Rights Agent) in connection with the acceptance and administration of this Agreement.

Section 19. Merger or Consolidation or Change of Name of Rights Agent. Any corporation into which the Rights Agent or any successor Rights Agent may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which the Rights Agent or any successor Rights Agent shall be a party, or any corporation succeeding to the stock transfer or corporate trust business of the Rights Agent or any successor Rights Agent, shall be the successor to the Rights Agent under this Agreement without the execution or filing of any paper or any further act on the part of any of the parties hereto, provided that such corporation would be eligible for appointment as a successor Rights Agent under the provisions of Section 21 hereof. In case at the time such successor Rights Agent shall succeed to the agency created by this Agreement any of the Right Certificates shall have been countersigned but not delivered, any such successor Rights Agent may adopt the countersignature of the predecessor Rights Agent and deliver such Right Certificates so countersigned; and in case at that time any of the Right Certificates shall not have been countersigned, any successor Rights Agent may countersign such Right Certificates either in the name of the predecessor Rights Agent or in the name of the successor Rights Agent; and in all such cases such Right Certificates shall have the full force provided in the Right Certificates and in this Agreement.

In case at any time the name of the Rights Agent shall be changed and at such time any of the Right Certificates shall have been countersigned but not delivered, the Rights Agent may adopt the countersignature under its prior name and deliver Right Certificates so countersigned; and in case at that time any of the Right Certificates shall not have been countersigned, the Rights Agent may countersign such Right Certificates either in its prior name or in its changed name; and in all such cases such Right Certificates shall have the full force provided in the Right Certificates and in this Agreement.

Section 20. Rights and Duties of Rights Agent. The Rights Agent undertakes the duties and obligations imposed by this Agreement upon the following terms and conditions, by all of which the Company and the holders of Right Certificates, by their acceptance thereof, shall be bound:

(a) The Rights Agent may consult with legal counsel (who may be legal counsel for the Company), and the opinion of such counsel shall be full and complete authorization and protection to the Rights Agent as to any action taken or omitted by it in good faith and in accordance with such opinion.

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(b) Whenever in the performance of its duties under this Agreement the Rights Agent shall deem it necessary or desirable that any fact or matter be proved or established by the Company prior to taking or suffering any action hereunder, such fact or matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and

established by a certificate signed by any one of the Chairman of the Board, the Chief Executive Officer, the President, any Vice President, the General Counsel, the Treasurer or the Secretary of the Company and delivered to the Rights Agent; and such certificate shall be full authorization to the Rights Agent for any action taken or suffered in good faith by it under the provisions of this Agreement in reliance upon such certificate.

(c) The Rights Agent shall be protected and shall incur no liability for any action taken, suffered or omitted by it in good faith unless a court of competent jurisdiction determines that the Rights Agent's gross negligence or willful misconduct was the primary cause of any loss to the Company or any holder of a Right Certificate (or, prior to the Distribution Date, any holder of a Right as holder of a Common Share). The Rights Agent makes no representation or warranty with respect to and is not responsible for the validity, value or availability of the Rights, the Right Certificates or the Preferred Shares.

(d) The Rights Agent shall be protected and shall incur no liability for any action taken, suffered or omitted by it in connection with, its administration of this Agreement in reliance upon any Right Certificate or certificate for the Common Shares or for other securities of the Company, instrument of assignment or transfer, power of attorney, endorsement, affidavit, letter, notice, direction, consent, certificate, statement or other paper or document believed by it to be genuine and to be signed, executed and, where necessary, verified or acknowledged, by the proper Person or Persons, or otherwise upon the advice of counsel as set forth in this Section 20.

(e) The Rights Agent shall not be assumed to have knowledge of and shall not be required to take note of or act upon any fact or circumstance including, without limitation, the occurrence of facts or circumstances leading to the Shares Acquisition Date or the Distribution Date, facts or circumstances relating to whether any Person may be an Affiliate or an Associate of any other Person, facts or circumstances relevant to an adjustment to the Purchase Price, facts or circumstances relevant to events described in Section 13 (mergers, etc.), Section 23 (redemption) and Section 24 (exchange) which may be relevant to performance by the rights Agent under this Agreement unless the Company has provided written notice thereof to the Rights Agent; and the Company agrees that it will (i) promptly notify the Rights Agent in writing of the occurrence of the Shares Acquisition Date (including the identity of the Acquiring Person and the date on which the Shares Acquisition Date occurred), the Distribution Date, the Redemption Date, and of any events described in Section 13 (merger), and (ii) promptly provide the Rights Agent with such other information as the Rights Agent may reasonably request in connection with the performance of its duties under this Agreement.

(f) Anything in this Agreement to the contrary notwithstanding, in no event shall the Rights Agent be liable for special, indirect or consequential damage or loss of any kind whatsoever (including but not limited to lost profits), even if the Rights Agent has been advised

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of the likelihood of such loss or damage and regardless of the form of action, provided the Rights Agent has acted in good faith under this Agreement.

(g) The Company agrees that it will perform, execute, acknowledge and deliver or cause to be performed, executed, acknowledged and delivered all such further and other acts, instruments and assurances as may reasonably be required by the Rights Agent for the carrying out or performing by the Rights Agent of the provisions of this Agreement.

(h) The Rights Agent is hereby authorized and directed to accept instructions with respect to the performance of its duties hereunder from any one of the Chairman of the Board, the Chief Executive Officer, the President, any Vice President, the General Counsel, the Secretary or the Treasurer of the Company, and to apply to such officers for advice or instructions in connection with its duties, and it shall not be liable for any action taken or suffered by it in good faith in accordance with instructions of any such officer or for any delay in acting while waiting for those instructions. Any application by the Rights Agent for written instructions from the Company may, at the option of the Rights Agent, set forth in writing any action proposed to be taken or omitted by the Rights Agent with respect to its duties or obligations under this Rights Agreement and the date on and/or after which such action shall be taken or omitted and the Rights Agent shall not be liable for any action taken or omitted in accordance with a proposal included in any such application on or after the date specified therein (which date shall not be less than three Business Days after the date any such officer actually receives such application, unless any such officer shall have consented in writing to an earlier date) unless, prior to taking or omitting any such action, the Rights Agent has received written instructions in response to such application specifying the action to be taken or omitted.

(i) The Rights Agent and any stockholder, director, officer or

employee of the Rights Agent may buy, sell or deal in any of the Rights or other securities of the Company or become pecuniarily interested in any transaction in which the Company may be interested, or contract with or lend money to the Company or otherwise act as fully and freely as though it were not Rights Agent under this Agreement. Nothing herein shall preclude the Rights Agent from acting in any other capacity for the Company or for any other legal entity.

(j) The Rights Agent may execute and exercise any of the rights or powers hereby vested in it or perform any duty hereunder either itself or by or through its attorneys or agents, and the Rights Agent shall not be answerable or accountable for any act, default, neglect or misconduct of any such attorneys or agents or for any loss to the Company resulting from any such act, default, neglect or misconduct, provided reasonable care was exercised in the selection and continued employment thereof.

Section 21. Change of Rights Agent. The Rights Agent or any successor Rights Agent may resign and be discharged from its duties under this Agreement upon 30 days' notice in writing mailed to the Company and to each transfer agent of the Common Shares or Preferred Shares by registered or certified mail, and to the holders of the Right Certificates by first-class mail. The Company may remove the Rights Agent or any successor Rights Agent upon 30 days' notice in writing, mailed to the Rights Agent or successor Rights Agent, as the case may be, and

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to each transfer agent of the Common Shares or Preferred Shares by registered or certified mail, and to the holders of the Right Certificates by first-class mail. If the Rights Agent shall resign or be removed or shall otherwise become incapable of acting, the Company shall appoint a successor to the Rights Agent. If the Company shall fail to make such appointment within a period of 30 days after giving notice of such removal or after it has been notified in writing of such resignation or incapacity by the resigning or incapacitated Rights Agent or by the holder of a Right Certificate (who shall, with such notice, submit such holder's Right Certificate for inspection by the Company), then the registered holder of any Right Certificate may apply to any court of competent jurisdiction for the appointment of a new Rights Agent. Any successor Rights Agent, whether appointed by the Company or by such a court, shall be (i) a corporation organized and doing business under the laws of the United States or of the State of California (or of any other state of the United States so long as such corporation is authorized to do business as a banking institution in the State of California), in good standing, having an office in the State of California, which is authorized under such laws to exercise corporate trust or stock transfer powers and is subject to supervision or examination by federal or state authority and which has at the time of its appointment as Rights Agent a combined capital and surplus of at least \$50 million dollars or (ii) a subsidiary of a corporation described in clause (i) of this sentence. After appointment, the successor Rights Agent shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named as Rights Agent without further act or deed; but the predecessor Rights Agent shall deliver and transfer to the successor Rights Agent any property at the time held by it hereunder, and execute and deliver any further assurance, conveyance, act or deed necessary for the purpose. Not later than the effective date of any such appointment the Company shall file notice thereof in writing with the predecessor Rights Agent and each transfer agent of the Common Shares or Preferred Shares, and mail a notice thereof in writing to the registered holders of the Right Certificates. Failure to give any notice provided for in this Section 21, however, or any defect therein, shall not affect the legality or validity of the resignation or removal of the Rights Agent or the appointment of the successor Rights Agent, as the case may be.

Section 22. Issuance of New Right Certificates. Notwithstanding any of the provisions of this Agreement or of the Rights to the contrary, the Company may, at its option, issue new Right Certificates evidencing Rights in such form as may be approved by its Board of Directors to reflect any adjustment or change in the Purchase Price and the number or kind or class of shares or other securities or property purchasable under the Right Certificates made in accordance with the provisions of this Agreement. In addition, following the Distribution Date and prior to the redemption or expiration of the Rights, in connection with the issuance or sale of Common Shares pursuant to the exercise of stock options or under any employee plan or arrangement or upon the exercise, conversion or exchange of other securities of the Company, in each case, which options or securities are outstanding prior to the Distribution Date, the Board of Directors shall issue Rights Certificates representing the appropriate number of Rights in connection with such issuance or sale; provided, however, that (i) no such Rights Certificate shall be issued and this sentence shall be null and void ab initio if, and to the extent that, such issuance or this sentence would create a significant risk of or result in material adverse tax consequences to the Company or the Person to whom such Rights Certificate would be issued or would create a significant risk of or result in such options' or employee plans' or arrangements' failing to qualify

for otherwise available special tax treatment and (ii) no such Rights Certificate shall be issued if, and to the extent that, appropriate adjustment shall otherwise have been made in lieu of the issuance thereof.

Section 23. Redemption.

(a) The Board of Directors of the Company may, by a resolution of the Board of Directors, at its option, at any time prior to such time as any Person becomes an Acquiring Person, redeem all but not less than all the then outstanding Rights at a redemption price of \$0.001 per Right, appropriately adjusted to reflect any stock split, stock dividend or similar transaction occurring after the date hereof (such redemption price being hereinafter referred to as the "Redemption Price"). After the period for redemption of the Rights has expired, the Board of Directors may not extend the period for redemption of the Rights or otherwise provide for their redemption. The redemption of the Rights by the Board of Directors may be made effective at such time, on such basis and subject to such conditions as the Board of Directors in its sole discretion may establish.

(b) Immediately upon the action of the Board of Directors of the Company ordering the redemption of the Rights pursuant to paragraph (a) of this Section 23, and without any further action and without any notice, the right to exercise the Rights will terminate and the only right thereafter of the holders of Rights shall be to receive the Redemption Price. The Company shall promptly give public notice of any such redemption; provided, however, that the failure to give, or any defect in, any such notice shall not affect the validity of such redemption. Within 10 days after such action of the Board of Directors ordering the redemption of the Rights pursuant to paragraph (a), the Company shall mail a notice of redemption to all the holders of the then outstanding Rights at their last addresses as they appear upon the registry books of the Rights Agent or, prior to the Distribution Date, on the registry books of the transfer agent for the Common Shares. Any notice which is mailed in the manner herein provided shall be deemed given, whether or not the holder receives the notice. If the payment of the Redemption Price is not included in such notice, each such notice shall state the method by which the payment of the Redemption Price will be made. Neither the Company nor any of its Affiliates or Associates may redeem, acquire or purchase for value any Rights at any time in any manner other than that specifically set forth in this Section 23 or in Section 24 hereof, and other than in connection with the purchase of Common Shares prior to the Distribution Date.

Section 24. Exchange.

(a) The Board of Directors of the Company may, at its option, at any time after any Person becomes an Acquiring Person, exchange all or part of the then outstanding and

exercisable Rights (which shall not include Rights that have become void pursuant to the provisions of Section 11(a)(ii) hereof) for Common Shares at an exchange ratio of one Common Share per Right, appropriately adjusted to reflect any stock split, stock dividend or similar transaction occurring after the date hereof (such exchange ratio being hereinafter referred to as the "Exchange Ratio"). Notwithstanding the foregoing, the Board of Directors shall not be empowered to effect such exchange at any time after any Person (other than the Company, any Subsidiary of the Company, any employee benefit plan of the Company or any such Subsidiary or any entity holding Common Shares for or pursuant to the terms of any such plan), together with all Affiliates and Associates of such Person, becomes the Beneficial Owner of a majority of the Common Shares then outstanding.

(b) Immediately upon the action of the Board of Directors of the Company ordering the exchange of any Rights pursuant Section 24(a) hereof and without any further action and without any notice, the right to exercise such Rights shall terminate and the only right thereafter of a holder of such Rights shall be to receive that number of Common Shares equal to the number of such Rights held by such holder multiplied by the Exchange Ratio. The Company shall promptly give public notice of any such exchange; provided, however, that the failure to give, or any defect in, such notice shall not affect the validity of such exchange. The Company promptly shall mail a notice of any such exchange to all of the holders of such Rights at their last addresses as they appear upon the registry books of the Rights Agent. Any notice which is mailed in the manner herein provided shall be deemed given, whether or not the holder receives the notice. Each such notice of exchange will state the method by which the exchange of the Common Shares for Rights will be effected and, in the event of any partial exchange, the number of Rights which will be exchanged. Any partial exchange shall be effected pro rata based on the number of Rights (other than Rights which have become void pursuant to the provisions of Section 11(a)(ii)

hereof) held by each holder of Rights.

(c) In any exchange pursuant to this Section 24, the Company, at its option, may substitute Preferred Shares (or common stock equivalents, as such term is defined in Section 11(a)(iii) hereof) for Common Shares exchangeable for Rights, at the initial rate of one one-thousandth of a Preferred Share (or common stock equivalents) for each Common Share, as appropriately adjusted to reflect adjustments in the voting rights of the Preferred Shares pursuant to the terms thereof, so that the fraction of a Preferred Share delivered in lieu of each Common Share shall have the same voting rights as one Common Share.

(d) In the event that there shall not be sufficient Common Shares, Preferred Shares or common stock equivalents authorized by the Company's certificate of incorporation and not outstanding or subscribed for, or reserved or otherwise committed for issuance for purposes other than upon exercise of Rights, to permit any exchange of Rights as contemplated in accordance with this Section 24, the Company shall take all such action as may be necessary to authorize additional Common Shares, Preferred Shares or common stock equivalents for issuance upon exchange of the Rights.

(e) The Company shall not be required to issue fractions of Common Shares or to distribute certificates which evidence fractional Common Shares. In lieu of such fractional

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Common Shares, the Company shall pay to the registered holders of the Right Certificates with regard to which such fractional Common Shares would otherwise be issuable an amount in cash equal to the same fraction of the current per share market value of a whole Common Share. For the purposes of this paragraph (e), the current per share market value of a whole Common Share shall be the closing price of a Common Share (as determined pursuant to the second sentence of Section 11(d)(i) hereof) for the Trading Day immediately prior to the date of exchange pursuant to this Section 24.

Section 25. Notice of Certain Events.

(a) In case the Company shall propose (i) to pay any dividend payable in stock of any class to the holders of its Preferred Shares or to make any other distribution to the holders of its Preferred Shares (other than a regular quarterly cash dividend), (ii) to offer to the holders of its Preferred Shares rights or warrants to subscribe for or to purchase any additional Preferred Shares or shares of stock of any class or any other securities, rights or options, (iii) to effect any reclassification of its Preferred Shares (other than a reclassification involving only the subdivision of outstanding Preferred Shares), (iv) to effect any consolidation or merger into or with, or to effect any sale or other transfer (or to permit one or more of its Subsidiaries to effect any sale or other transfer), in one or more transactions, of 50% or more of the assets or earning power of the Company and its Subsidiaries (taken as a whole) to, any other Person, (v) to effect the liquidation, dissolution or winding up of the Company, or (vi) to declare or pay any dividend on the Common Shares payable in Common Shares or to effect a subdivision, combination or consolidation of the Common Shares (by reclassification or otherwise than by payment of dividends in Common Shares), then, in each such case, the Company shall give to the Rights Agent and each holder of a Right Certificate, in accordance with Section 26 hereof, a notice of such proposed action, which shall specify the record date for the purposes of such stock dividend, or distribution of rights or warrants, or the date on which such reclassification, consolidation, merger, sale, transfer, liquidation, dissolution, or winding up is to take place and the date of participation therein by the holders of the Common Shares and/or Preferred Shares, if any such date is to be fixed, and such notice shall be so given in the case of any action covered by clause (i) or (ii) above at least 10 days prior to the record date for determining holders of the Preferred Shares for purposes of such action, and in the case of any such other action, at least 10 days prior to the date of the taking of such proposed action or the date of participation therein by the holders of the Common Shares and/or Preferred Shares, whichever shall be the earlier.

(b) In case any event set forth in Section 11(a)(ii) hereof shall occur, then the Company shall as soon as practicable thereafter give to each holder of a Right Certificate, in accordance with Section 26 hereof, a notice of the occurrence of such event, which notice shall describe such event and the consequences of such event to holders of Rights under Section 11(a)(ii) hereof.

Section 26. Notices. Notices or demands authorized by this Agreement to be given or made by the Rights Agent or by the holder of any Right Certificate to or on the Company shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed (until another address is filed in writing with the Rights Agent) as follows:

Intuit Inc.
 2535 Garcia Avenue
 Mountain View, California 94043
 Attention: Corporate Secretary

Subject to the provisions of Section 21 hereof, any notice or demand authorized by this Agreement to be given or made by the Company or by the holder of any Right Certificate to or on the Rights Agent shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed (until another address is filed in writing with the Company) as follows:

American Stock Transfer and Trust Company
 40 Wall Street
 New York, New York 10005
 Attention: Corporate Trust Department

Notices or demands authorized by this Agreement to be given or made by the Company or the Rights Agent to the holder of any Right Certificate shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed to such holder at the address of such holder as shown on the registry books of the Company.

Section 27. Supplements and Amendments. The Company may, by a resolution of the Board of Directors, from time to time, and the Rights Agent shall, if the Company directs, supplement or amend this Agreement without the approval of any holders of Right Certificates in order to cure any ambiguity, to correct or supplement any provision contained herein which may be defective or inconsistent with any other provisions herein, or to make any other provisions or changes with respect to the Rights which the Company may deem necessary or desirable, including, without limitation, to modify or amend the definition of Acquiring Person set forth in Section 1(a) hereof, to change the Purchase Price set forth in Section 7(b), or to extend or shorten the period for redemption of the Rights; provided, however, that from and after such time as any Person becomes an Acquiring Person, this Agreement shall not be amended in any manner which would adversely affect the interests of the holders of Rights (other than an Acquiring Person and its Affiliates and Associates) including, without limitation, to extend the period for redemption of the Rights, or otherwise provide for their redemption, or to provide for an earlier Final Expiration Date. Any such supplement or amendment will be evidenced by a writing signed by the Company and the Rights Agent. The Rights Agent shall not be obligated to enter into any amendment or supplement to this Agreement which in the opinion of the Rights Agent, may materially adversely affect the rights, duties, liabilities to the Company or immunities to the Company of the Rights Agent.

Section 28. Successors. All the covenants and provisions of this Agreement by or for the benefit of the Company or the Rights Agent shall bind and inure to the benefit of their respective successors and assigns hereunder.

Section 29. Benefits of this Agreement. Nothing in this Agreement shall be construed to give to any person or corporation other than the Company, the Rights Agent and the registered holders of the Right Certificates (and, prior to the Distribution Date, the Common Shares) any legal or equitable right, remedy or claim under this Agreement; but this Agreement shall be for the sole and exclusive benefit of the Company, the Rights Agent and the registered holders of the Right Certificates (and, prior to the Distribution Date, the Common Shares).

Section 30. Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction or other authority to be invalid, void or unenforceable, then such term, provision, covenant or restriction shall be enforced to the maximum extent permissible, and the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

Section 31. Governing Law. This Agreement and each Right Certificate issued hereunder shall be deemed to be a contract made under the laws of the State of Delaware and for all purposes shall be governed by and construed in accordance with the laws of such State applicable to contracts to be made and performed entirely within such State.

Section 32. Counterparts. This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

Section 33. Descriptive Headings. Descriptive headings of the several Sections of this Agreement are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions hereof.

Section 34. Entire Agreement. This Agreement contains the entire agreement between the parties with respect to the subject matter hereof.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and attested, all as of the day and year first above written.

Company:

INTUIT INC.

By: /s/ William V. Campbell

Title: President and Chief Executive Officer

Rights Agent:

AMERICAN STOCK TRANSFER AND TRUST COMPANY

By: /s/ HERBERT J. LEMMER

Title: Vice President

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EXHIBIT A

FORM

of

CERTIFICATE OF DESIGNATIONS

of

SERIES B JUNIOR PARTICIPATING PREFERRED STOCK

of

INTUIT INC.

(Pursuant to Section 151 of the

Delaware General Corporation Law)

Intuit Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware (hereinafter called the "Corporation"), hereby certifies that the following resolution was adopted by the Board of Directors of the Corporation as required by Section 151 of the General Corporation Law at a meeting duly called and held on April 29, 1998:

RESOLVED, that pursuant to the authority granted to and vested in the Board of Directors of this Corporation (hereinafter called the "Board of Directors" or the "Board") in accordance with the provisions of the Certificate of Incorporation of the Corporation, the Board of Directors hereby creates a series of Preferred Stock, par value \$0.01 per share (the "Preferred Stock"), of the Corporation and hereby states the designation and number of shares, and fixes the relative rights, preferences, and limitations thereof as follows:

Series B Junior Participating Preferred Stock:

Section 1. Designation and Amount. The shares of such series shall be designated as "Series B Junior Participating Preferred Stock" (the "Series B Preferred Stock") and the number of shares constituting the Series B Preferred Stock shall be 200,000. Such number of shares may be increased or decreased by resolution of the Board of Directors; provided, that no decrease shall reduce the number of shares of Series B Preferred Stock to a number less than the number of shares then outstanding plus the number of shares reserved for issuance upon the exercise of outstanding options, rights or warrants or upon the conversion of any outstanding securities issued by the Corporation convertible into Series B Preferred Stock.

Section 2. Dividends and Distributions.

(A) Subject to the rights of the holders of any shares of any series of Preferred Stock (or any other stock) ranking prior and superior to the Series B Preferred Stock with respect to dividends, the holders of shares of Series B Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the first day of March, June, September and December in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series B Preferred Stock, in an amount (if any) per share (rounded to the nearest cent), subject to the provision for adjustment hereinafter set forth, equal to 1000 times the aggregate per share amount of all cash dividends, and 1000 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions, other than a dividend payable in shares of Common Stock, par value \$0.01 per share (the "Common Stock"), of the Company or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock since the immediately preceding Quarterly Dividend Payment Date or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series B Preferred Stock. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount to which holders of shares of Series B Preferred Stock were entitled immediately prior to such event under the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) The Corporation shall declare a dividend or distribution on the Series B Preferred Stock as provided in paragraph (A) of this Section immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock).

(C) Dividends due pursuant to paragraph (A) of this Section shall begin to accrue and be cumulative on outstanding shares of Series B Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series B Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series B Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series B Preferred Stock entitled to receive payment of a

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dividend or distribution declared thereon, which record date shall be not more than 60 days prior to the date fixed for the payment thereof.

Section 3. Voting Rights. The holders of shares of Series B Preferred Stock shall have the following voting rights:

(A) Subject to the provision for adjustment hereinafter set forth, each share of Series B Preferred Stock shall entitle the holder thereof to 1000 votes on all matters submitted to a vote of the stockholders of the Corporation. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the number of votes per share to which holders of shares of Series B Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) Except as otherwise provided herein, in any other

Certificate of Designations creating a series of Preferred Stock or any similar stock, or by law, the holders of shares of Series B Preferred Stock and the holders of shares of Common Stock and any other capital stock of the Corporation having general voting rights shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(C) Except as set forth herein, or as otherwise provided by law, holders of Series B Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

Section 4. Certain Restrictions.

(A) Whenever quarterly dividends or other dividends or distributions payable on the Series B Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series B Preferred Stock outstanding shall have been paid in full, the Corporation shall not:

(i) declare or pay dividends, or make any other distributions, on any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series B Preferred Stock;

(ii) declare or pay dividends, or make any other distributions, on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series B Preferred Stock, except dividends paid ratably on the Series B Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled; or

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(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series B Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such junior stock in exchange for shares of any stock of the Corporation ranking junior (as to dividends and upon dissolution, liquidation or winding up) to the Series B Preferred Stock.

(B) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

Section 5. Reacquired Shares. Any shares of Series B Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and canceled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock subject to the conditions and restrictions on issuance set forth herein, in the Certificate of Incorporation, or in any other Certificate of Designations creating a series of Preferred Stock or any similar stock or as otherwise required by law.

Section 6. Liquidation, Dissolution or Winding Up.

(A) Upon any liquidation, dissolution or winding up of the Corporation, the holders of shares of Series B Preferred Stock shall be entitled to receive, prior and in preference to any distribution of any assets of the Corporation to the holders of Common Stock, the amount of \$10.00 per share for each share of Series B Preferred Stock then held by them. Thereafter, the holders of shares of Series B Preferred Stock shall be entitled to receive an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 1000 times the aggregate amount to be distributed per share to holders of shares of Common Stock plus an amount equal to any accrued and unpaid dividends. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the aggregate amount to which holders of shares of Series B Preferred Stock were entitled immediately prior to such event under the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) If the assets of the Corporation legally available for distribution to the holders of shares of Series B Preferred Stock upon

liquidation, dissolution or winding up of the Corporation are insufficient to pay the full preferential amount set forth in the first sentence of paragraph (A) above, then the entire assets of the Corporation legally available for distribution to the holders of Series B Preferred Stock shall be distributed among such holders in proportion to the shares of Series B Preferred Stock then held by them.

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(C) The foregoing rights upon liquidation, dissolution or winding up provided to the holders of Series B Preferred Stock shall be subject to the rights of the holders of any other series of Preferred Stock (or any other stock) ranking prior and superior to the Series B Preferred Stock upon liquidation, dissolution or winding up.

Section 7. Consolidation, Merger, etc. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or other property, then in any such case each share of Series B Preferred Stock shall at the same time be similarly exchanged or changed into an amount per share, subject to the provision for adjustment hereinafter set forth, equal to 1000 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series B Preferred Stock shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 8. No Redemption. The shares of Series B Preferred Stock shall not be redeemable.

IN WITNESS WHEREOF, this Certificate of Designations is executed on behalf of the Corporation by its President and attested by its Assistant Secretary this 1st day of May, 1998.

INTUIT INC.

By: _____
President

Attest:

By: _____
Assistant Secretary

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EXHIBIT B

FORM OF RIGHT CERTIFICATE

Certificate No. R- _____ Rights

NOT EXERCISABLE AFTER MAY 1, 2008 OR EARLIER IF REDEMPTION OR EXCHANGE OCCURS. THE RIGHTS ARE SUBJECT TO REDEMPTION AT \$0.001 PER RIGHT AND TO EXCHANGE ON THE TERMS SET FORTH IN THE RIGHTS AGREEMENT.

RIGHT CERTIFICATE

INTUIT INC.

This certifies that _____ or registered assigns, is the registered owner of the number of Rights set forth above, each of which entitles the owner thereof, subject to the terms, provisions and conditions of the Rights Agreement, dated as of May 1, 1998, as amended and restated as of October 5, 1998 (the "Rights Agreement"), between Intuit Inc., a Delaware corporation (the "Company"), and American Stock Transfer and Trust Company (the "Rights Agent"),

to purchase from the Company at any time after the Distribution Date (as such term is defined in the Rights Agreement) and prior to 5:00 p.m., Pacific Time, on May 1, 2008 at the principal office of the Rights Agent, or at the office of its successor as Rights Agent, one one-thousandth of a fully paid non-assessable share of Series B Junior Participating Preferred Stock, par value \$0.01 per share (the "Preferred Shares"), of the Company, at a purchase price of \$[250.00] per one one-thousandth of a Preferred Share (the "Purchase Price"), upon presentation and surrender of this Right Certificate with the Certification and the Form of Election to Purchase duly executed. The number of Rights evidenced by this Right Certificate (and the number of one one-thousandths of a Preferred Share which may be purchased upon exercise hereof) set forth above, and the Purchase Price set forth above, are the number and Purchase Price as of [____], based on the Preferred Shares as constituted at such date. As provided in the Rights Agreement, the Purchase Price and the number of one one-thousandths of a Preferred Share which may be purchased upon the exercise of the Rights evidenced by this Right Certificate are subject to modification and adjustment upon the happening of certain events.

This Right Certificate is subject to all of the terms, provisions and conditions of the Rights Agreement, which terms, provisions and conditions are hereby incorporated herein by reference and made a part hereof and to which Rights Agreement reference is hereby made for a full description of the rights, limitations of rights, obligations, duties and immunities hereunder of the Rights Agent, the Company and the holders of the Right Certificates. Copies of the Rights Agreement are on file at the principal executive offices of the Company and the above-mentioned offices of the Rights Agent.

This Right Certificate, with or without other Right Certificates, upon surrender at the principal office of the Rights Agent, may be exchanged for another Right Certificate or Right Certificates of like tenor and date evidencing Rights entitling the holder to purchase a like aggregate number of Preferred Shares as the Rights evidenced by the Right Certificate or Right

Certificates surrendered shall have entitled such holder to purchase. If this Right Certificate shall be exercised in part, the holder shall be entitled to receive upon surrender hereof another Right Certificate or Right Certificates for the number of whole Rights not exercised.

Subject to the provisions of the Rights Agreement, the Rights evidenced by this Certificate (i) may be redeemed by the Company at a redemption price of \$0.001 per Right or (ii) may be exchanged in whole or in part for Preferred Shares or shares of the Company's Common Stock, par value \$0.01 per share.

No fractional Preferred Shares will be issued upon the exercise of any Right or Rights evidenced hereby (other than fractions which are integral multiples of one one-thousandths of a Preferred Share, which may, at the election of the Company, be evidenced by depository receipts), but in lieu thereof a cash payment will be made, as provided in the Rights Agreement.

No holder of this Right Certificate shall be entitled to vote or receive dividends or be deemed for any purpose the holder of the Preferred Shares or of any other securities of the Company which may at any time be issuable on the exercise hereof, nor shall anything contained in the Rights Agreement or herein be construed to confer upon the holder hereof, as such, any of the rights of a stockholder of the Company or any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of meetings or other actions affecting stockholders (except as provided in the Rights Agreement), or to receive dividends or subscription rights, or otherwise, until the Right or Rights evidenced by this Right Certificate shall have been exercised as provided in the Rights Agreement.

This Right Certificate shall not be valid or obligatory for any purpose until it shall have been countersigned by the Rights Agent.

WITNESS the facsimile signature of the proper officers of the Company and its corporate seal.

Dated as of _____.

Attest: INTUIT INC.

By: _____ By: _____

Countersigned:

AMERICAN STOCK TRANSFER AND TRUST COMPANY, Rights Agent

By: _____

Form of Reverse Side of Right Certificate

FORM OF ASSIGNMENT

(To be executed by the registered holder if such holder desires to transfer the Right Certificate)

FOR VALUE RECEIVED _____ hereby sells, assigns and transfers unto _____ (Please print name and address of transferee) this Right Certificate, together with all right, title and interest therein, and does hereby irrevocably constitute and appoint _____ Attorney, to transfer the within Right Certificate on the books of the within-named Company, with full power of substitution.

Dated: _____

Signature

Signature(s) Guaranteed:

SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (BANKS, STOCKBROKERS, SAVINGS AND LOAN ASSOCIATIONS AND CREDIT UNIONS WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM), PURSUANT TO S.E.C. RULE 17Ad-15

The undersigned hereby certifies that the Rights evidenced by this Right Certificate are not beneficially owned by an Acquiring Person or an Affiliate or Associate thereof (as defined in the Rights Agreement).

Signature

Form of Reverse Side of Right Certificate--continued

FORM OF ELECTION TO PURCHASE

(To be executed if holder desires to exercise the Right Certificate)

To _____:

The undersigned hereby irrevocably elects to exercise _____ Rights represented by this Right Certificate to purchase the Preferred Shares issuable upon the exercise of such Rights and requests that certificates for such Preferred Shares be issued in the name of:

Please insert social security or other identifying number

(Please print name and address)

If such number of Rights shall not be all the Rights evidenced by this Right Certificate, a new Right Certificate for the balance remaining of such Rights shall be registered in the name of and delivered to:

Please insert social security or other identifying number

(Please print name and address)

Dated: _____

Signature

Signature(s) Guaranteed:

SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (BANKS, STOCKBROKERS, SAVINGS AND LOAN ASSOCIATIONS AND CREDIT UNIONS WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM), PURSUANT TO S.E.C. RULE 17Ad-15

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Form of Reverse Side of Right Certificate--continued

The undersigned hereby certifies that the Rights evidenced by this Right Certificate are not beneficially owned by an Acquiring Person or an Affiliate or Associate thereof (as defined in the Rights Agreement).

Signature

NOTICE

The signature in the foregoing Forms of Assignment and Election must conform to the name as written upon the face of this Right Certificate in every particular, without alteration or any change whatsoever.

In the event the certification set forth above in the Form of Assignment or the Form of Election to Purchase, as the case may be, is not completed, the Company and the Rights Agent will deem the beneficial owner of the Rights evidenced by this Right Certificate to be an Acquiring Person or an Affiliate or Associate thereof (as defined in the Rights Agreement) and such Assignment or Election to Purchase will not be honored.

EXHIBIT C

SUMMARY OF RIGHTS TO PURCHASE
PREFERRED SHARES

On April 29, 1998, the Board of Directors of Intuit Inc. (the "Company") declared a dividend of one preferred share purchase right (a "Right") for each outstanding share of common stock, par value \$0.01 per share (the "Common Shares"), of the Company. The dividend is payable to stockholders of record on May 11, 1998 (the "Record Date"). In addition, one Right shall be issued with each Common Share that becomes outstanding (i) between the Record Date and the earliest of the Distribution Date, the Redemption Date and the Final Expiration Date (as such terms are defined in the Agreement) or (ii) following the Distribution Date and prior to the Redemption Date or Final Expiration Date, pursuant to the exercise of stock options or under any employee plan or arrangement or upon the exercise, conversion or exchange of other securities of the Corporation, which options or securities were outstanding prior to the Distribution Date. Each Right entitles the registered holder to purchase from the Company one one-thousandth of a share of Series B Junior Participating Preferred Stock, par value \$0.01 per share (the "Preferred Shares"), of the Company, at a price of \$250.00 per one one-thousandth of a Preferred Share (the "Purchase Price"), subject to adjustment. The description and terms of the Rights are set forth in a Rights Agreement (the "Rights Agreement") between the Company and American Stock Transfer and Trust Company, as Rights Agent (the "Rights Agent").

Until the earlier to occur of (i) 10 days following a public announcement or disclosure that a person or group of affiliated or associated persons (an "Acquiring Person"), has acquired beneficial ownership of 20% (the "Designated Percentage") or more of the outstanding Common Shares or (ii) 10 business days (or, such later date as may be determined by action of the Board of Directors), following the announcement of an intention to make a tender offer or exchange offer the consummation of which would result in a person or group becoming an Acquiring Person (the earlier of such dates being called the "Distribution Date"), the Rights will be evidenced, with respect to any of the Common Share certificates outstanding as of the Record Date, by such Common Share certificates with a copy of this Summary of Rights attached thereto. No Person shall become an Acquiring Person if the Board of Directors of the Company determines in good faith that a Person who would otherwise be an Acquiring Person has become such inadvertently, and such Person as promptly as practicable takes such actions as may be necessary so that such Person would no longer be considered an Acquiring Person.

The Rights Agreement provides that, until the Distribution Date, the Rights will be transferred with and only with the Common Shares. Until the Distribution Date (or earlier redemption or expiration of the Rights), new Common Share certificates issued after the Record Date, upon transfer or new issuance of Common Shares, will contain a notation incorporating the Rights Agreement by reference. Until the Distribution Date (or earlier redemption or expiration of the Rights), the surrender for transfer of any certificates for Common Shares outstanding as of the Record Date, even without such notation or a copy of this Summary of Rights being attached thereto, will also constitute the transfer of the Rights associated with the Common Shares represented by such certificate. As soon as practicable following the Distribution Date, separate certificates evidencing the Rights ("Right Certificates") will be mailed to holders of record of the Common Shares as of the Close of Business on the Distribution Date and such separate Right Certificates alone will evidence the Rights.

The Rights are not exercisable until the Distribution Date. The Rights will expire on May 1, 2008 (the "Final Expiration Date"), unless the Final Expiration Date is extended or unless the Rights are earlier redeemed or exchanged by the Company, in each case, as described below.

The Purchase Price payable, and the number of Preferred Shares or other securities or property issuable, upon exercise of the Rights are subject to adjustment from time to time to prevent dilution (i) in the event of a stock dividend on, or a subdivision, combination or reclassification of, the Preferred Shares, (ii) upon the grant to holders of the Preferred Shares of certain rights or warrants to subscribe for or purchase Preferred Shares at a price, or securities convertible into Preferred Shares with a conversion price, less than the then current market price of the Preferred Shares or (iii) upon the distribution to holders of the Preferred Shares of evidences of indebtedness or assets (excluding regular periodic cash dividends paid out of earnings or retained earnings or dividends payable in Preferred Shares) or of subscription rights or warrants (other than those referred to above).

The number of outstanding Rights and the number of one one-thousandths of a Preferred Share issuable upon exercise of each Right are also subject to adjustment in the event of a stock dividend on the Common Shares payable in Common Shares or subdivisions, consolidations or combinations of the Common Shares occurring, in any such case, prior to the Distribution Date.

Preferred Shares purchasable upon exercise of the Rights will not be redeemable. Each Preferred Share will be entitled to a quarterly dividend payment of 1000 times the dividend declared per Common Share. In the event of liquidation, each Preferred Share will be entitled to a \$10.00 preference, and thereafter the holders of the Preferred Shares will be entitled to an aggregate payment of 1000 times the aggregate payment made per Common Share. Each Preferred Share will have 1000 votes, voting together with the Common Shares. Finally, in the event of any merger, consolidation or other transaction in which Common Shares are exchanged, each Preferred Share will be entitled to receive 1000 times the amount received per Common Share. These rights are protected by customary antidilution provisions.

Because of the nature of the Preferred Shares' dividend, liquidation and voting rights, the value of the one one-thousandth interest in a Preferred Share purchasable upon exercise of each Right should approximate the value of one Common Share.

In the event that any person becomes an Acquiring Person, unless the event causing the Designated Percentage threshold to be crossed and the Person to thereby become an Acquiring Person is a merger, acquisition or other business combination described in the next paragraph each holder of a Right, other than Rights beneficially owned by the Acquiring Person (which will thereafter be void), will thereafter have the right to receive upon exercise that number of

Common Shares having a market value of two times the exercise price of the Right on the terms and conditions set forth in the Rights Agreement. If the Company does not have authorized but unissued Common Shares sufficient to satisfy such obligation to issue Common Shares, the Company is obligated to deliver upon payment of the exercise price of a Right an amount of cash or other securities equivalent in value to the Common Shares issuable upon exercise of a Right.

In the event that, any person or group becomes an Acquiring Person and the Company merges into or engages in certain other business combination transactions with an Acquiring Person, or 50% or more of its consolidated assets or earning power are sold to an Acquiring Person, each holder of a Right, other than Rights beneficially owned by an Acquiring Person, will thereafter have the right to receive, upon the exercise thereof at the then current exercise price of the Right, that number of shares of common stock of the acquiring company which at the time of such transaction will have a market value of two times the exercise price of the Right.

At any time after any person becomes an Acquiring Person and prior to the acquisition by such person or group of 50% or more of the outstanding Common Shares, the Board of Directors of the Company may exchange the Rights (other than Rights owned by such person or group which have become void), in whole or in part, at an exchange ratio of one Common Share, or one one-thousandth of a Preferred Share (or of a share of a class or series of the Company's preferred stock having equivalent rights, preferences and privileges), per Right (subject to adjustment).

With certain exceptions, no adjustment in the Purchase Price will be required until cumulative adjustments require an adjustment of at least 1% in such Purchase Price. No fractional Preferred Shares will be issued (other than fractions which are integral multiples of one one-thousandth of a Preferred Share, which may, at the election of the Company, be evidenced by depository receipts) and in lieu thereof, an adjustment in cash will be made based on the market price of the Preferred Shares on the last trading day prior to the date of exercise.

3

At any time prior to such time as a person or group becomes an Acquiring Person, the Board of Directors of the Company may redeem, the Rights in whole, but not in part, at a price of \$0.001 per Right (the "Redemption Price"). The redemption of the Rights may be made effective at such time, on such basis and with such conditions as the Board of Directors in its sole discretion may establish. After the period for redemption of the Rights has expired, the Board may not amend the Rights Agreement to extend the period for redemption of the Rights. Immediately upon any redemption of the Rights, the right to exercise the Rights will terminate and the only right of the holders of Rights will be to receive the Redemption Price.

The terms of the Rights may be amended by a resolution of the Board of Directors without the consent of the holders of the Rights, except that from and after such time as any person or group becomes an Acquiring Person, no such amendment may adversely affect the interests of the holders of the Rights (other than an Acquiring Person).

Until a Right is exercised, the holder thereof, as such, will have no rights as a stockholder of the Company, including, without limitation, the right to vote or to receive dividends.

A copy of the Rights Agreement has been filed with the Securities and Exchange Commission as an Exhibit to a Registration Statement on Form 8-A/A dated _____, 1998. A copy of the Rights Agreement is available free of charge from the Company. This summary description of the Rights does not purport to be complete and is qualified in its entirety by reference to the Rights Agreement, which is hereby incorporated herein by reference.

4

STATE OF DELAWARE
OFFICE OF THE SECRETARY OF STATE

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF RETIREMENT OF "INTUIT INC.", FILED IN THIS OFFICE ON THE SIXTEENTH DAY OF SEPTEMBER, A.D. 1998, AT 9 O'CLOCK A.M.

A FILED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE NEW CASTLE COUNTY RECORDER OF DEEDS.

[SEAL]

/s/ EDWARD J. FREEL

Edward J. Freel, Secretary of State

AUTHENTICATION: 9305220

DATE: 09-16-98

CERTIFICATE OF RETIREMENT

OF

SERIES A PREFERRED STOCK

OF

INTUIT INC.

Intuit Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware (the "Corporation"), certifies as follows:

FIRST: On February 1, 1993, the Corporation filed with the Delaware Secretary of State a Certificate of Incorporation authorizing 33,000,000 shares of authorized stock, consisting of two classes: 30,000,000 shares of Common Stock, par value \$0.01 per share, and 3,000,000 shares of Preferred Stock, par value \$.01 per share, and designating 1,800,000 of the shares of Preferred Stock of the Company as Series A Preferred stock, par value \$0.01 per share with the powers, preferences, rights, limitations and restrictions specified therein.

SECOND: On December 14, 1993, the Corporation filed a Certificate of Amendment of Certificate of Incorporation that increased the number of shares of authorized stock to 63,000,000 shares consisting of two classes: 60,000,000 shares of Common Stock, par value \$0.01 per share, and 3,000,000 shares of Preferred Stock, par value \$0.01 per share.

THIRD: On January 18, 1996, the Corporation filed a Certificate of Amendment of Certificate of Incorporation that increased the number of shares of authorized stock to 253,000,000 shares, consisting of two classes: 250,000,000 shares of Common Stock, par value \$0.01 per share, and 3,000,000 shares of Preferred Stock, par value of \$0.01 per share.

FOURTH: On March 12, 1993, 1,655,082 shares of the Series A Preferred Stock of the Corporation were converted into shares of the Corporation's Common Stock and ceased to be outstanding, leaving 144,918 shares of Series A Preferred Stock authorized but unissued.

FIFTH: Article IV, Part C, Section 7 of the Corporation's Certificate of Incorporation prohibits the reissuance of the converted Series A Preferred Stock as Series A Preferred Stock.

SIXTH: Pursuant to the provisions of Section 243 of the General Corporation Law of Delaware, 1655,082 shares of the Series A Preferred Stock of the Corporation are hereby retired.

EXECUTED effective this 16th day of September, 1998.

INTUIT INC.

By: /s/ CATHERINE L. VALENTINE

Catherine L. Valentine
Vice President, General Counsel
and Secretary

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 09:00 AM 09/16/1998
981359426 - 2324451

INTUIT

INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE

CUSIP 461202 10 3
SEE REVERSE FOR CERTAIN
DEFINITIONS AND LEGENDS

THIS CERTIFIES THAT

SPECIMEN

is the owner of

FULLY PAID AND NONASSESSABLE SHARES OF THE COMMON STOCK,
PAR VALUE \$0.01 PER SHARE, OF

INTUIT INC.

transferable on the books of the Corporation by the holder in person or by duly
authorized attorney on surrender of this certificate properly endorsed. This
certificate is not valid until countersigned and registered by the Transfer
Agent and Registrar.

WITNESS the facsimile seal of the Corporation and the facsimile signatures
of its duly authorized officer.

CERTIFICATE OF STOCK

SPECIMEN

SPECIMEN

PRESIDENT AND
CHIEF EXECUTIVE OFFICER

VICE PRESIDENT, GENERAL COUNSEL
AND SECRETARY

[SEAL]
INTUIT INC.
INCORPORATED
FEBRUARY 1,
1993
DELAWARE

The Corporation is authorized to issue Common Stock and Preferred Stock.
The Board of Directors of the Corporation has authority to determine the
authorized number of shares of each series of Preferred Stock and to determine
or alter the rights, preferences, privileges and restrictions granted to or
imposed upon any wholly unissued series of Preferred Stock, and to increase or
decrease (but not below the number of shares of such series then outstanding)
the number of shares of any series subsequent to the issue of shares of that
series.

A statement of the rights, preferences, privileges and restrictions
granted to or imposed upon the respective classes or series of shares and the
number of shares constituting each class and series, and the designations
thereof, may be obtained by the holder hereof upon request and without charge
from the Secretary of the Corporation at the principal office of the
Corporation.

This certificate also evidences and entitles the holder hereof to certain
rights (the "Rights") as set forth in a Rights Agreement between Intuit Inc.
and American Stock Transfer & Trust Company, dated as of May 1, 1998, as such
may subsequently be amended (the "Rights Agreement"), the terms of which are
hereby incorporated herein by reference and a copy of which is on file at the
principal executive offices of Intuit Inc. Under certain circumstances, as set
forth in the Rights Agreement, such rights will be evidenced by separate
certificates and will no longer be evidenced by this certificate. Intuit Inc.
will mail to the holder of this certificate a copy of the Rights Agreement
without charge after receipt of a written request therefor. As described in
Section 11(a)(ii) of the Rights Agreement, Rights beneficially owned by any
person who becomes an Acquiring Person (as defined in the Rights Agreement) and
certain other persons shall become null and void.

The following abbreviations, when used in the inscription on the face of
this Certificate, shall be construed as though they were written out in full
according to applicable laws or regulations:

TEN COM - as tenants in common

TEN ENT - as tenants by the entireties
JT TEN - as joint tenants with right of survivorship and not as tenants
in common

UNIF GIFT MIN ACT _____ Custodian _____
(Cust) (Minor)
under Uniform Gifts to Minors
Act _____
(State)

Additional abbreviations may also be used though not in the above list.

For value received, _____ hereby sell, assign and transfer unto

PLEASE INSERT SOCIAL SECURITY OR OTHER
IDENTIFYING NUMBER OF ASSIGNEE

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING ZIP CODE, OF ASSIGNEE)

_____ Shares
of the Common Stock represented by the within Certificate, and do hereby
irrevocably constitute and appoint _____ Attorney
to transfer the said stock on the books of the within-named Corporation with
full power of substitution in the premises.

Dated _____

NOTICE: THE SIGNATURE TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME AS
WRITTEN UPON THE FACE OF THE CERTIFICATE IN EVERY PARTICULAR, WITHOUT
ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATEVER.

SIGNATURE(S) GUARANTEED:

THE SIGNATURE(S) MUST BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION
(BANKS, STOCKBROKERS, SAVINGS AND LOAN ASSOCIATIONS AND CREDIT UNIONS WITH
MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM), PURSUANT TO
S.E.C. RULE 17Ad-18.

LEASE AGREEMENT

THIS LEASE, made this _____ day of January , 1998 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 41,636 gross square feet of space located in Mountain View, Santa Clara County, California and further identified at the following address: 2650 Casey. The building leased hereunder shall be known between Landlord and Tenant as Building "B".

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 4.

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 15th day of April, 1999, and end on the 14th day of April, 2007.

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 May 15, 1999 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 Eighty Two Thousand Fifty Two and 20/100. (\$6,482,052.20) 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 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 Seven Thousand Two Hundred and 00/000 (\$7,200.00) 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 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 rights 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.

Page 2 of 9

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. 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 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, 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 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 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, 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 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.

(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 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 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.

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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: 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/

By /s/ Greg J. Santora

Title

Title Vice President of Finance and

Corporate Services and 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 \$2,068.00
Daily Additional Rent \$ 387.00 (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:

<S>	<C>
4/15/1999 - 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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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 \$62,049 (41,366 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 79,893 rentable square feet (Buildings A, B).

Landlord's monthly estimate for Additional Rent items described in paragraph 4D (excluding taxes) for calendar year 1999 is \$7,200 per month (41,366 x \$0.174). The following represents a line item breakdown of Landlord's estimate of monthly expenses (expressed in dollars per square foot per month):

<S>	<C>
Exterior maintenance and landscape	\$ 0.050
Building maintenance and HVAC	0.079
Insurance (including earthquake insurance)	0.025
Management	0.02
Utilities (Tenant pays directly)	-0-
Janitorial (Tenant pays directly)	-0-

Total	\$ 0.174

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 #116-03-027 (Buildings A,B)

\$102,033 or \$52,829 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 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 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,

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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 this 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. 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 $15 \times 41,366 \text{ s.f.} = 620,490$. Tenant shall be granted these tenant improvement dollars in the form of \$372,294 Basic Rent abatement and \$248,196 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 $\$620,490 - 20,000 - 400,000 = \$200,490$. Landlord would therefore grant Tenant a total of \$500,245 calculated as follows: $200,490 \text{ [divided by] } 2 = 100,245$; $400,000 + 100,245 = \$500,245$ as Landlord's contribution towards improvements. Landlord's rent abatement would equal \$372,294 and Landlord's cash

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contribution would equal \$127,951.50. 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 labelled.
 - 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.

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

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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.

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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.

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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.

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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

EXHIBIT 10.29

MAP OF

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

OFFER TO PURCHASE REAL ESTATE

TO: GENERAL AMERICAN LIFE INSURANCE COMPANY, a Missouri Corporation, of St. Louis, Missouri, Hereinafter referred to as SELLER.

1. The undersigned, INTUIT Inc., a Delaware corporation, hereinafter referred to as BUYER, hereby offers to purchase from SELLER, in its present condition "as is", the property known as Dominion Business Center containing approximately 9.4733 acres located at 110 Juliad Court, Stafford County, Virginia, and the parcels of land upon which such improvements are located, and any personal property associated therewith, said property being legally described as follows:

SEE EXHIBIT "A"

2. The purchase price hereby offered for the above property is \$1,600,000.00, payable by BUYER to SELLER as follows:

- 2.1 \$100,000.00 Earnest Money Deposit, to be deposited by BUYER in certified funds or by electronic wire transfer of funds with the Title Company (as defined in section 10 below) promptly upon being furnished with a counterpart of this Offer to Purchase Real Estate that has been fully executed by SELLER. Said Earnest Money Deposit shall be held in accordance with a separate escrow agreement as set forth in Exhibit B;
- 2.2 \$1,500,000.00 additional cash to be delivered by BUYER to SELLER in certified funds at closing.

3. Promptly upon its acceptance of the Offer, BUYER shall obtain from a mutually acceptable title insurance company a preliminary title report for an owner's policy of title insurance, to be issued to BUYER upon closing, in the amount of \$1,600,000.00, showing insurable title in SELLER to the premises above described, subject only to taxes and special assessments for the current and subsequent years, restrictions, conditions and covenants of record, rights of parties in possession, and easements and mineral reservations, if any, of record. BUYER shall obtain a currently dated survey of the subject property. BUYER, or their attorney,

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shall within 10 days after receiving both the preliminary title report and currently dated survey deliver to SELLER in writing any objections to the title and survey. Should any defect in title or survey objected to by BUYER not be removed within 30 days of such notice thereof, unless the BUYER elects to purchase the property notwithstanding such defect, this contract shall become absolutely null and void.

4. The deed to BUYER will be a Special Warranty Deed conveying the above-described premises, by way of the proper legal description thereof, subject to the above exceptions. SELLER shall furnish an appropriate Corporate Resolution authorizing the execution of such Special Warranty Deed by the corporate officers executing the same. SELLER agrees to execute such additional documents as may be necessary to effectuate this transaction including a bill of sale, and the assignment of any service contracts or warranties that SELLER is a party to.

5. At closing of this sale transaction, there shall be appropriately prorated and adjusted between SELLER and BUYER real estate taxes and special assessments for the present year, as well as rentals upon the subject premises.

6. Upon and only upon the completion of the closing of this sale transaction, SELLER shall pay to Cafferty Commercial Real Estate Services, a real estate sales brokerage commission in the amount of \$ Per Separate Agreement. Otherwise, SELLER and BUYER each represent to one another that neither has knowledge of any involvement of any other such broker in connection with this sale and/or purchase.

7. BUYER is granted a Window Period (Due Diligence Period), commencing on the day of SELLER'S acceptance of this Offer to Purchase and terminating upon the close of business on the business day nearest to the 30th calendar day following the day of SELLER'S said acceptance, during which time SELLER shall reasonably cooperate in making available to BUYER access to the subject premises or to any records or information relative thereto in SELLER'S

possession, without limitation access to Environmental Site Assessment and Soils Reports to enable such reasonable inspection, examination, investigation, testing, analysis or appraisal as BUYER may wish to conduct with respect to such premises, and during which time BUYER, in its sole and unrestricted discretion, may elect to terminate and rescind this contract, for any reason whatever, in which event BUYER shall be entitled to a full refund of its Earnest Money Deposit. Provided, however, it is stipulated and understood, in connection with the granting of such Window Period to BUYER, that (i) BUYER shall conduct its

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inspections, examination, investigation, testing, analysis or appraisal of the subject premises in a manner so as not to damage the said premises, or unnecessarily interfere with any business activity on the premises or with any business activity in SELLER'S offices; and (ii) SELLER having acquired the subject premises by way of foreclosure proceedings or conveyance in lieu of foreclosure, makes no warranties or representations of any nature as to title, structural soundness, condition, repair, maintenance, operation, economic viability, defects, drainage situation, subsidence, support, compliance with public laws or private restrictive covenants, toxic or radioactive materials or substances, tenancies, operating contracts, pending or threatened litigation, or otherwise; instead it is agreed that BUYER is buying the subject premises "as is" as to any agreed or all of such matters.

8. Expenses: SELLER shall be responsible for the cost of one half of any escrow service fee charged by the designated title company for closing; SELLER'S own attorney's fees; proratable expenses attendant to the satisfying of any liens upon the subject premises or the perfection of title with respect thereto; the grantor's tax; and any other incidental expenses customarily borne by sellers of real estate in the County of Stafford, Virginia not otherwise herein specifically provided for herein. BUYER shall be responsible for the cost of the owner's title policy; the cost of the preliminary title report; the cost of the survey; one-half of any escrow service fee charged by the designated title company for closing; BUYER'S own attorney's fees; proratable items chargeable to BUYER at closing; all recording fees; and any other incidental expenses customarily borne by purchasers of real estate in the County of Stafford, Virginia not otherwise herein specifically provided for herein.

9. Time is of the essence of this contract and of all the terms and conditions hereof.

10. Settlement shall be made and deed delivered at the offices of Stewart Title and Escrow, Inc., 10505 Judicial Drive, Fairfax, Virginia, 22030 (the "Title Company") on or before the close of business of the business day nearest to the 30th day of November, 1997 or at such other time or place as may be hereafter mutually agreed upon. Possession shall be given to BUYER upon such closing.

11. The covenants and agreements herein contained shall extend to and obligatory upon the heirs, executors, administrators, successors and/or assigns of the parties hereto.

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12. If this sales transaction should fail to close because of failure to perform on the part of the BUYER (other than if BUYER elects to effect a Window Period rescission and termination of this contract pursuant to Clause 7 (Window Period), SELLER may at its option, declare this contract null and void and be entitled as its sole remedy to retain the Earnest Money Deposit hereunder made as liquidated damages. If this sale should fail to close because of SELLER'S non-performance (other than if SELLER is unable to deliver insurable title as called for hereunder), BUYER shall be entitled to specific performance, damages, and/or other appropriate remedies at law or in equity. If this sale should fail because BUYER elects to effect a Window Period rescission and termination of this contract pursuant to Clause 7 (Window Period) above, or because SELLER is unable to deliver insurable title as called for hereunder, SELLER shall refund to BUYER its Earnest Money Deposit, and this contract shall rescind and cease effect without further liability of any party hereto.

13. Nothing herein shall be construed as an offer by SELLER to convey the subject premises. This Offer to Purchase shall become a sales contract between the parties hereto according to all of the terms hereof upon SELLER'S acceptance of same within 10 days from the date hereof; otherwise, the same shall be deemed automatically withdrawn, null and void.

14. BUYER and SELLER agree that notices to BUYER will be sent to Catherine Valentine, Esq., General Counsel, INTUIT Inc., 1840 Embarcadero Road, Palo Alto, California 94303 and Bill Davidson, INTUIT Inc., 100 Juliad Court, Fredericksburg, Virginia 22406. Notices to SELLER will be sent to Steven P. Traynor, Esq., Counsel, General American Live Insurance Company, 700 Market Street, St. Louis, MO 63101 and Gary M. Burris, Field Vice President, Conning Asset Management Company, 44084 Riverside Partway, Suite 150, Leesburg,

Virginia 20176-5012. Notices will be effective as follows: (i) three business days after sent by mail; (ii) next business day following overnight courier; and (iii) upon personal delivery.

15. Casualty. SELLER assumes all risks and liability for damage to or injury occurring to the property by fire, storm, accident, or other casualty or cause until the closing has been consummated. If the property, or any part thereof, suffers any damage in excess of \$100,000.00 prior to the closing from fire or other casualty which Seller, at its option, does not elect to repair, Buyer may either at or prior to closing (a) terminate this contract, and receive it earnest money deposit back from escrow or (b) consummate the closing, in which latter event all of SELLER's right, title and interest in and to the proceeds of any insurance

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covering such damage, to the extent the amount of such insurance does not exceed the purchase price, along with the amount of Seller's deductible under its insurance policy, shall be assigned to Buyer at the closing. If the property, or any part thereof, suffers any damage equal to or less than \$100,000 prior to the closing, Buyer agrees that it will consummate the closing and accept the assignment of the proceeds of any insurance covering such damage plus an amount equal to Seller's deductible under its insurance policy, and there shall be no reduction in the purchase price.

16. Attorneys' Fees. In the event it becomes necessary for wither party hereto to file suit to enforce this Agreement or any provision contained herein, the party prevailing in such suit shall be entitled to recover, in addition to all other remedies or damages provided for herein, reasonable attorneys' fees incurred in such suit.

Herewith offered by BUYER as the 30th day of September, 1997.

BUYER: INTUIT Inc., a Delaware corporation

BY: /s/ [SIG]

BY: -----

Herewith accepted by SELLER as the ____ day of _____, 19__.

SELLER:

GENERAL AMERICAN LIFE INSURANCE COMPANY

BY: -----
Vice President

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EXHIBIT "A"

Legal Description

County of Stafford Tax Map #44 - 103 G containing approximately 2.1526 Acres, also known as Parcel A Dominion Business Center Phase I (Stafford Industrial Park)

and

County of Stafford Tax Map #44 - 103 H containing approximately 7.3207 Acres, also known as Parcel C Dominion Business Center Phase I (Stafford Industrial Park)

Total Acreage: 9.4733 Acres

EXHIBIT "B"

Escrow Agreement

S E E A T T A C H E D

ESCROW AGREEMENT

THIS AGREEMENT is made this ____ day of _____, 1997, among _____ (the "Seller"), _____ (the "Buyer"), and STEWART TITLE AND ESCROW, INC., (the "Escrow Agent").

W I T N E S S E T H:

WHEREAS, the Seller and the Buyer entered into a certain Sale Agreement dated _____ (the "Sale Agreement") for the sale of certain real estate located in _____ County, Virginia, known as: _____ (the "Property"), and

WHEREAS, the Sale Agreement calls for Buyer to place an earnest money deposit (as defined in the Sale Agreement) with a third party Escrow Agent to be held pursuant to the terms of such Sale Agreement until such time and for such periods of time as set forth in said Sale Agreement; and

WHEREAS, Stewart Title and Escrow, Inc. has agreed to serve as Escrow Agent pursuant to said Sale Agreement and in accordance with the terms of this Escrow Agreement;

NOW, THEREFORE, the parties agree as follows:

1. DEPOSIT OF FUNDS. The Escrow Agent acknowledges receipt of the sum of \$_____ representing the deposit from the Buyer pursuant to the terms of the Sale Agreement. The Escrow Agent agrees to cause such funds to be invested in an interest bearing account with interest on such funds payable to the Buyer, unless specified otherwise in the Sale Agreement. Any interest-bearing account or certificate of deposit representing the investment of said funds will be held by and in the name of the Escrow Agent pursuant to the terms of this Agreement.
2. Interest earned on the deposit as stated above will be reported to the Internal Revenue Service using the following taxpayer identification number: _____ which is the taxpayer identification number for the following entity: _____. A 1099 form will be forwarded to that entity at the address stated herein annually as is customary for such escrow accounts.
3. A fully executed copy of the Sale Agreement is attached hereto as Exhibit "A" and made a part hereof. The deposit will be held pursuant to the terms of said Sale Agreement, and the actions and duties of Escrow Agent are as set forth therein.
4. Should any dispute arise under this Escrow Agreement, then the Escrow Agent may interplead the funds held into court. Any costs and reasonable attorney's fees for interpleading such funds into court by the Escrow Agent will be borne by the Seller

and/or Buyer as the court directs and orders.

5. LIMITATIONS OF LIABILITY. The foregoing instructions are subject to the following provisions which are expressly approved by the Buyer and the Seller:

5.1 DEPOSITORY DUTY. The Escrow Agent will be liable as a depository only and will not be responsible for the sufficiency or accuracy of the form, execution or validity of any document delivered to the Escrow Agent hereunder

or any authority or rights of the persons executing or delivering or purporting to execute or deliver any such document. The Escrow Agent's duties hereunder are limited to the safekeeping of the escrow money deposit and the delivery of the same in accordance with this Agreement.

5.2 STANDARD OF CARE. The Escrow Agent will not be liable for any act or omission done in good faith, or for any claim, demand, loss or damage made or suffered by any party to this Agreement, excepting such as may arise through or be caused by the Escrow Agent's willful misconduct or gross negligence.

5.3 RELIANCE. The Escrow Agent will not be liable for collection items until the proceeds of the same in actual cash have been received by the Escrow Agent. The Escrow Agent is authorized to rely on any document believed by the Escrow Agent to be authentic in making any delivery of funds hereunder. The Escrow Agent will in no way be responsible or have any duty to notify any person interested in the escrow money deposit of any maturity under the terms of this Agreement or any document deposited herewith or described herein.

5.4 TERMINATION. The Escrow Agent will have the right to terminate its duty as Escrow Agent under this Agreement by written notice of termination to all parties to this Escrow Agreement and delivery of the escrowed funds to a Substitute Escrow Agent as chosen by both Seller and Buyer hereunder. Such delivery will relieve the Escrow Agent from any further performance and liability with respect to this Agreement. Any modification of the terms of this Agreement may be made at any time by the Buyer and the Seller, provided that the same is reduced in writing, delivered to and accepted by the Escrow Agent.

5.5 SOLE AGREEMENT. This Agreement is the only agreement binding on the Escrow Agent relating to the escrowed funds and the Escrow Agent may rely absolutely hereon to the exclusion of any and all other agreements between the Buyer and the Seller.

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6. MISCELLANEOUS. It is further agreed as follows:

6.1 NOTICES. All notices given hereunder will be in writing and served by regular first-class mail, postage prepaid, to the parties at the following addresses:

The Seller: _____

The Buyer: _____

The Escrow Agent: Stewart Title and Escrow, Inc., 10505 Judicial Drive, #300, Fairfax, Virginia 22030, Attn: Lisa Overton.

6.2 ASSIGNMENT. None of the rights of the Seller or the Buyer hereunder may be assigned voluntarily or by operation of law. Any such assignment by any party without the prior written approval of the other parties to this Agreement will be null and void ab initio.

6.3 BINDING EFFECT. This Agreement will be binding on and inure to the benefit of the parties and their respective heirs, personal representatives, successors and permitted assigns.

IN WITNESS WHEREOF, this Agreement has been executed and delivered the date first above written.

Seller:

Buyer:

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Receipt of these instructions and the deposit described therein is acknowledged and accepted this _____ day of _____, 1997.

STEWART TITLE AND ESCROW, INC.
(the "Escrow Agent")

By: _____
Its:

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FIRST ADDENDUM

(To Offer to Purchase Real Estate between General American Life Insurance Company as Seller, and Intuit Inc., as Buyer, relating to the property known as Dominion Business Center located at 110 Juliad Court, Stafford County, Virginia)

Notwithstanding any provision contained in the Offer to Purchase Real Estate (the "Contract") to which this First Addendum is attached, the Contract is amended as follows:

1. Settlement shall be made and deed delivered on or before the close of business on the business day nearest to the 15th day of December, 1997.

2. Buyer shall pay to Seller all rent due for the month of December 1997, in accordance with the terms of a lease between Seller and Buyer dated June 23, 1997 (the "December Rent"). Buyer and Seller hereby agree that Buyer shall receive a credit against the purchase price at closing for the amount of the December Rent paid by Buyer to Seller.

3. In the event of any conflict or inconsistency between any provisions in this First Addendum and in the Offer to Purchase Real Estate, the terms and provisions in this First Addendum shall prevail and be controlling.

SELLER:
GENERAL AMERICAN LIFE INSURANCE
COMPANY

Date: 11/26/97

By: [SIG]

Vice President/Authorized Representative

BUYER:
INTUIT INC.

Date: 12/5/97

By: /s/ GREG J. SANTORA

Title: Greg J. Santora, Vice President of

Finance and Corporate Services and CFO

BUILD TO SUIT LEASE
DATED APRIL 8, 1998
between
TACC INVESTORS, LLC, LANDLORD
and
INTUIT INC., TENANT.

BUILD TO SUIT LEASE

1. PARTIES. This lease, dated, for reference purposes only, April 8, 1998, is made by and between TACC Investors, LLC, an Arizona limited liability company (herein called "Landlord"), and Intuit Inc., a Delaware corporation (herein called "Tenant").

2. PREMISES; ACCESS. Landlord hereby leases to Tenant and Tenant leases from Landlord for the term, at the rent, and upon all of the conditions set forth herein, the real property (consisting of approximately fifteen (15) acres of land) shown on EXHIBIT A, together with a facility consisting of two (2) buildings connected by a common entryway and lobby to be constructed on such real property pursuant to this Lease, containing approximately 135,000 square feet (the buildings and related improvements are sometimes called the "Improvements"), all of the foregoing being called the "Premises." The Improvements will be constructed in two (2) phases: Phase I will consist of a 65,000 square foot shell Base Building, related Tenant Improvements, a 5,000 square foot common entryway and lobby, no fewer than 650 paved parking spaces and related site work. Phase II will consist of a 65,000 square foot shell Base Building, related Tenant Improvements, an additional 450 paved parking spaces and related site work.

Upon completion of Phase I, the Premises will have access to and from Tucson Boulevard. It is anticipated that at some future date Tucson Airport Commerce Center may construct road improvements connecting the Premises to Country Club Road as part of future phases of development of Tucson Airport Commerce Center. Landlord is making no assurances to Tenant regarding such additional access to Country Club Road.

3. TERM; IMPROVEMENTS; COMMENCEMENT DATE.

3.1. TERM. The term (the "Term") of this Lease shall be for approximately ten (10) years commencing on the Commencement Date (as defined in paragraph 3.3) and ending on the earlier of (a) ten (10) years following the date Phase II is Ready for Occupancy (as defined in paragraph 3.3), or (b) July 31, 2009, unless this Lease is sooner terminated or extended, or the Premises are expanded, pursuant to any provision hereof.

3.2. IMPROVEMENTS.

(a) The Improvements are preliminarily described in EXHIBIT B (the "Outline Specifications"). Tenant has previously approved the Outline Specifications. The Outline Specifications describe certain elements of the Tenant Improvements and certain elements of the site and the shell Base Building for Phase I. The Improvements described in the Outline Specifications are to be designed and constructed with provision for special improvements and other features keyed to Tenant's particular business. The parties recognize there will continue to occur a rapid process of

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refinement of the Improvements and the Outline Specifications to meet Tenant's particular needs, City of Tucson and regulatory requirements and any contingencies that arise in achieving final plans and specifications. Landlord and Tenant agree to act reasonably, diligently and in good faith to produce final plans and specifications for the Improvements (which term shall include all agreed changes). Tenant acknowledges that Tenant's timely and diligent cooperation with Landlord is essential to timely completion. Tenant agrees to provide Landlord and Landlord's agents with timely and thorough programs of Tenant's requirements, reviews, comments and approvals.

(b) In particular, set forth in EXHIBIT C is the critical path schedule which shall be adhered to by Landlord and Tenant in order to develop expeditiously final plans and specifications (the "Plans") for the Improvements and to achieve the delivery dates set forth in paragraph 3.4. Landlord and Tenant shall use all reasonable efforts to perform their respective

obligations within the time periods set forth in EXHIBIT C. The critical path schedule will allow insubstantial and harmless deviations from the strict schedule but not substantial departures therefrom unless Landlord and Tenant agree so in a writing that commensurately extends the delivery dates under paragraph 3.4. Landlord and Tenant acknowledge that some of the approvals required in the critical path schedule have already been given. Eric Johnson will be Tenant's contact person for purpose of submittals and approvals.

(c) Any change in the Outline Specifications, the Improvements or the other plans and specifications envisioned under this paragraph 3.2 requested by Tenant shall (i) be reasonable, (ii) not involve major structural changes (unless Landlord agrees), (iii) require no additional land (unless Landlord agrees), (iv) result in no violation of any existing or future CC&R's or applicable laws and regulations, (v) have Landlord's written approval, which Landlord may not unreasonably withhold or delay, and (vi) require Tenant to pay any additional cost required to implement such change. The cost of any Tenant-requested change to the Tenant Improvements will be handled pursuant to subparagraph (f) below. The cost of any Tenant-requested change to the site or to the shell Base Buildings will be handled pursuant to subparagraph (h) below. Any CC&R's not in force as of the date of execution of this Lease shall be reasonably derivative from any draft of CC&R's delivered to Tenant before such execution date, and in no event will any future CC&R's impair the right of Tenant to use the Premises for the uses permitted under paragraph 8.1. No change in the Base Buildings will occur after the design process for the Tenant Improvements has commenced, without Landlord's written approval.

(d) "Tenant Improvements" will consist of all fixed Tenant improvement work shown on the Plans including but not limited to all interior walls, heating/ventilating/air conditioning systems, architecture and engineering fees, building permit fees and general contractor fees associated with the Tenant Improvements. Tenant will furnish an emergency generator from Tenant's existing facility and Tenant shall provide all fixtures, furnishings and equipment not expressly shown as Landlord-provided on the Plans, including, without limitation, the air conditioning for the telephone/computer room.

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(e) Upon completion of the process described above, Landlord shall submit the Plans to the City of Tucson for approval. If the City of Tucson review process necessitates material changes in the Plans, Landlord will notify Tenant promptly and Tenant shall deliver to Landlord Tenant's written comments on such changes within five (5) days after Landlord has notified Tenant. Landlord and Tenant shall have the right to approve any such material changes in the Plans.

(f) Landlord shall provide Tenant with an allowance (the "Allowance") for Tenant Improvements not to exceed \$28.00 per square foot in the Improvements as reasonably calculated by Landlord. At the very earliest practicable date Landlord will provide Tenant with written notice of the estimated if not final square footage of the Improvements so that Tenant has a reasonable cost guideline to work with. If the actual cost of the Tenant Improvements exceeds the Allowance, the excess will be amortized over the ten-year Term of this Lease at 9% interest and shall be added to monthly Rent. If the actual cost of the Tenant Improvements is less than the Allowance, Tenant will receive a credit against monthly Rent equal to 60% of the actual cost reduction.

Example:

If the Tenant Improvements are constructed at \$30/sq. ft. over the 70,000 sq. ft. (approx.) comprising Phase II, the rental rate will increase from \$0.7475 to \$0.7728, or an increase of \$1,773.46 per month ($\$2 \times 70,000 = 140,000$, amortized over 10 years at 9%).

Example:

If the Tenant Improvements are constructed at \$26/sq. ft. over the 70,000 sq. ft (approx.) comprising Phase I, the rent credit would be \$84,000 ($\$2 \times 70,000 = 140,000 \times 60\% = 84,000$), credited against the rent due for the first two (2) months.

(g) After Landlord and Tenant have completed the foregoing process and reached agreement in writing, Landlord shall meet all conditions of zoning and obtain the necessary permits and commence and diligently proceed to complete at its sole cost and expense, through reputable contractors of Landlord's choice, the construction of the Improvements in a good and workmanlike manner substantially as described in the Plans, and provide all necessary transportation, labor, materials, tools, implements and appliances required to construct the Improvements. Notwithstanding the provisions of the Outline Specifications or the Plans, Landlord may make reasonable substitutions and other "value engineering" changes so long as the substitutions or changes

result in Improvements capable of at least equal performance. Landlord shall promptly inform Tenant of any substitutions and changes. Tenant may protest any proposed substitution that is likely to lower the quality of the Improvements. Landlord and Tenant will collaborate promptly with each other to eliminate any dispute over substitutions. Landlord will be required to provide no improvements other than the

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Improvements described in the Plans, subject only to those changes mutually approved by Landlord and Tenant in writing.

(h) Landlord and Tenant recognize that the process of designing and constructing the Improvements may result in additional cost to Landlord and require an adjustment of the Rent payable by Tenant inasmuch as the process will be devoted to Tenant's particular needs. The cost of any material change or addition to the site or the shell Base Building components of the Improvements described in the Outline Specifications, or any material change in the scope or quality thereof, including the additional costs to Landlord resulting from change orders to the general contract(s), together with the associated costs of the contractors' general conditions, shall result in an increase in the Rent. If such adjustment becomes necessary, Landlord will recalculate the Rent and promptly provide Tenant with new Rent figures for the Premises with such detail and other back-up information as may reasonably be requested by Tenant to fairly demonstrate the basis for such an adjustment, to which Tenant's approval shall not be unreasonably withheld. Landlord and Tenant will collaborate promptly with each other to eliminate any dispute over recalculation of the Rent. The adjustment sum will be amortized over the ten-year Term of this Lease at nine percent (9%) interest and shall be added to monthly Rent.

(i) Landlord is making no express or implied warranties to Tenant regarding the condition of the Premises or the Improvements excepting only those express warranties set forth in this Lease. Tenant acknowledges that Landlord will be utilizing the professional services of an architect and a general contractor and although Landlord is making no representations or warranties other than the express warranties set forth in this Lease, Landlord will provide Tenant with the benefits of any standard warranty that Landlord receives on building components, as well as the ten (10) year manufacturers' warranty/bond on the roof membrane (the cost of which Tenant shall pay to Landlord before taking possession of the Premises). Tenant acknowledges that some or all of these warranties require ongoing maintenance of building components for the warranties to remain valid, and Tenant agrees to discharge all maintenance required by the terms of any warranties and to enter into the appropriate service agreements at Tenant's sole expense. Notwithstanding the foregoing, Tenant shall also have the benefit of any express or written warranty provided by any architect, contractor, subcontractor or supplier (a "Provider") providing services, labor, materials, supplies and equipment for the Improvements, as well as any other warranty available to Tenant under applicable law, excepting only any implied warranty of habitability or fitness for any particular purpose, which implied warranty, if any, Tenant hereby disclaims as to Landlord but reserves as to all Providers.

Notwithstanding anything to the contrary in the preceding paragraph, Landlord expressly warrants to Tenant that the Improvements will be constructed in compliance with applicable laws and building codes, subject to the time requirements for assertion of claims set forth in other paragraphs of this Lease.

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3.3. COMMENCEMENT DATE. The Term of this Lease shall commence on the earlier of (the "Commencement Date") (i) the date on which Tenant takes possession of the first sub-phase of Phase I of the Premises to conduct its business (for a purpose other than fixturing or fit-up), or (ii) the day on which a temporary certificate of occupancy (or equivalent approval of completion) has been issued for the first sub-phase of Phase I of the Premises by the appropriate governmental agency, whereupon such sub-phase shall be deemed "Ready for Occupancy." The Commencement Date shall not, under any circumstances, occur before September 1, 1998. Each of the sub-phases of Phase I and the entirety of Phase II shall be deemed Ready for Occupancy the day on which a temporary certificate of occupancy (or equivalent approval of completion) has been issued for such sub-phase or Phase II by the appropriate governmental agency. For a phase or sub-phase to be considered "Ready for Occupancy" any required parking spaces shall then be available for Tenant's use. Each certificate of occupancy may contain stipulations and conditions so long as it permits Tenant to take occupancy of a given sub-phase or phase of the Premises and use such sub-phase or phase of the Premises for all of the purposes contemplated by this Lease. Landlord and Tenant shall execute, as soon as determinable, a written statement specifying (a) the Commencement Date and/or (b) the termination date of this Lease, which, when executed, will become part

of this Lease.

3.4. DELIVERY. Delivery of Phase I of the Premises Ready for Occupancy will occur in three (3) successive sub-phases consisting of the following Improvements, on the following dates:

First sub-phase: a 65,000 sq. ft. shell Base Building, 650 paved parking spaces, and approximately 37,000 sq. ft. of contiguous Tenant Improvements, including an approximately 2,000 sq. ft. computer room and approximately 500 telemarketing call stations, or such fewer number of stations as may be determined by Tenant's needs (as to which Tenant will notify Landlord on or before April 15, 1998), or by area constraints: September 1, 1998

Second sub-phase: approximately 28,000 sq. ft. of Tenant Improvements: September 30, 1998

Third sub-phase: 5,000 sq. ft. common entryway and lobby: October 15, 1998

In addition, Landlord will make every reasonable effort to have the first sub-phase shell (including the computer room) ready for Tenant fit-up by August 1, 1998, provided that Landlord shall have no liability to Tenant if notwithstanding Landlord's reasonable efforts Landlord is unable to meet this schedule.

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On or before April 30, 1998, Tenant shall notify Landlord in writing of the date by which Tenant desires Phase II of the Premises, consisting of a 65,000 sq. ft. shell Base Building, an additional 450 paved parking spaces and related Tenant Improvements, to be delivered to Tenant Ready for Occupancy, which shall occur no earlier than May 1, 1999, and no later than September 1, 1999 (the "Phase II Delivery Date").

In addition, Landlord will make every reasonable effort to have the Phase II shell Base Building and 450 paved parking spaces ready for Tenant fit-up seventy-five (75) days prior to the Phase II Delivery Date, provided that Landlord shall have no liability to Tenant if notwithstanding Landlord's reasonable efforts Landlord is unable to meet this schedule.

Notwithstanding any provision in this Lease to the contrary, each scheduled date of delivery and any other scheduled date of performance by Landlord under this paragraph 3.4 shall be extended one (1) day for each day of Tenant Delay and one (1) day for each day of delay caused by Force Majeure. "Tenant Delay" shall mean any delay in Landlord's commencement or completion of Improvements that occurs as a result of: (i) any request by Tenant either that Landlord perform any work in addition to that required under the Plans or that Landlord delay commencement or completion of the Improvements for any reason including, without limitation, time for contractor, subcontractor, supplier or materialman performance arising out of a change order or a material change in the Plans or the Improvements requested by Tenant, (ii) any material change by Tenant to the Plans after final approval thereof, (iii) any failure of Tenant to respond to any request for approval required hereunder within the time period specified for such response or, where no specific response time is specified, within a reasonable period of time after the request, (iv) any delay in Landlord's construction of the Improvements caused by Tenant's interference with Landlord's work or Tenant's activities in the Premises, or (v) any other act or omission of Tenant or an Event of Default by Tenant under this Lease that effectively delays commencement or completion of the Improvements. If loss of schedule time due to Tenant Delay reasonably can be avoided by Tenant's own action within twenty-four (24) hours after receipt of notice of the problem from Landlord, Tenant Delay in such instance will not be incurred until Landlord gives Tenant such notice, unless an emergency or other highly compelling circumstances obviate the necessity of notice. Force Majeure shall have the meaning ascribed to it in paragraph 42, except that for purposes of this paragraph, Force Majeure will not include Landlord's failure to meet applicable zoning conditions to the development and use of the Premises as contemplated by Landlord and Tenant. The parties acknowledge that Landlord has accrued, as of April 7, 1998, eight (8) days of Force Majeure credit due to weather-caused delays prior to that date, which Landlord may use, at Landlord's election, to extend the scheduled dates of delivery and performance under this paragraph 3.4 for Phase I.

If any sub-phase of Phase I is not Ready for Occupancy, or if Phase II is not Ready for Occupancy, by the respective date(s) set forth above for any reason other than (i) Tenant Delay or (ii) Force Majeure, Tenant's sole and exclusive

remedy shall be a credit against Rent next coming due under this Lease equal to the sum of (a) any bona fide "holdover" penalty that Tenant is required to pay, and demonstrates that it has paid, to its present landlord because of Tenant's inability to vacate its present premises, or some portion thereof, and take scheduled occupancy of the Improvements, and (b) any expenses or charges actually incurred by Tenant as a result of the delayed delivery of the Premises, excluding loss of profits and other special or consequential damages. The term "holdover" penalty is defined as the difference between (iii) Tenant's then base rent at its present facility and (iv) any additional rent imposed on Tenant under its present lease due to Tenant's failure to vacate its present premises on schedule.

Notwithstanding anything to the contrary in this Lease, other than Tenant Delay, Tenant shall have the right in its sole and absolute discretion, and for its sole and exclusive remedy, to terminate this Lease if the first sub-phase of Phase I of the Premises is not Ready for Occupancy by December 31, 1998.

3.5. EARLY ENTRY. Landlord shall permit Tenant to enter the Premises prior to the Commencement Date for the purpose of placing on the Premises furniture, fixtures, wire, cabling and equipment earlier approved by Landlord in writing and any improvements and alterations permitted under paragraph 9.5.

If Tenant does enter the Premises prior to the Commencement Date, Tenant shall procure and maintain insurance policies required pursuant to paragraph 10 and provide written indemnification to Landlord in form reasonably acceptable to Landlord prior to such entry. Landlord and Tenant shall carefully coordinate their respective efforts so as not to interfere with the objectives of paragraphs 3.2 and 3.4. Entry by Tenant shall be made so as to comply in all respects with paragraph 9.5 and the other provisions of this Lease, all applicable ordinances, regulations and requirements of the City of Tucson, any applicable CC&R's, and in such a manner so as not to interfere with Landlord or Landlord's contractors in the performance of the construction work contemplated hereby. Tenant shall not use the Premises for the storage of inventory or otherwise commence business without the express prior written consent of Landlord. Landlord shall not be responsible for repainting or cleaning the Improvements as a result of any damage or wear resulting from Tenant's early entry.

4. RENT; OTHER CHARGES.

4.1. MONTHLY RENT. Subject to the qualification in the following subparagraph, Tenant shall pay to Landlord rent ("Rent") for the Premises monthly payments, in advance, without deduction, off-set or demand, on the first (1st) day of each month of the Term hereof at the rates set forth below. Rent for any period during the Term hereof which is for less than one month shall be a pro rata portion of the monthly installment based upon a thirty (30) day month. Rent shall be payable in lawful money of the United States to Landlord at the address stated herein or to such other persons or at such other places as Landlord may designate by written notice to Tenant from time to time.

Rent for each phase or sub-phase of the Premises shall commence upon, but not before, the earlier of (a) Tenant's taking possession of such phase or sub-phase to conduct its business (for a purpose other than fixturing or fit-up), or (b) Landlord's delivery of such phase or sub-phase Ready for Occupancy. If Tenant elects, pursuant to paragraph 3.4, to defer taking possession of Phase II until a date subsequent to May 1, 1999, Tenant shall nevertheless pay rent thereon to Landlord as compensation for Landlord's holding the space, commencing on May 1, 1999, at a rate equal to twenty percent (20%) of the scheduled Rent for Phase II until Tenant starts to pay Rent for Phase II, which shall occur no later than September 1, 1999.

Monthly Rent payable by Tenant to Landlord for the initial ten (10) year Term of this Lease shall be calculated as follows:

Months 1 - 48:	\$0.7475/sq. ft. NNN ("Initial Rate")
Months 49 - 96:	No less than the Initial Rate, subject to increase effective at month 49 in accordance with paragraph 4.2 ("First Adjusted Rate")
Months 97 - end of initial Term:	No less than the First Adjusted Rate, subject to increase

effective at month 97 in accordance
with paragraph 4.3 ("Second Adjusted
Rate")

For purposes of calculating Rent payable by Tenant to Landlord during the entire Term of this Lease (including the Renewal Terms), Landlord and Tenant hereby agree that the Premises shall be deemed to contain 135,000 square feet, subject to increase by expansion under paragraph 47 below. Notwithstanding the foregoing, square footage (and the resultant Rent calculations) shall be based on the final Plans (measurements to extend to the outside of exterior walls) once completed.

4.2. FIRST ADJUSTED RATE. The Rent payable by Tenant to Landlord during months 49-96 of the Lease shall be no less than the Initial Rate increased (but not decreased) by a factor equal to the cumulative percentage increases in the U.S. Department of Labor, Bureau of Labor Statistics Consumer Price Index for All Urban Consumers (Tucson, Arizona, region) (All items; 1982-84 = 100) (the "Consumer Price Index") occurring between the Commencement Date and the forty-ninth (49th) month of this Lease, not to be less than one percent (1%) nor to exceed four percent (4%), per year.

4.3. SECOND ADJUSTED RATE. The Rent payable by Tenant to Landlord during months 97-120 of the Lease shall be no less than the First Adjusted Rate increased (but not decreased) by a factor equal to the cumulative percentage increases in

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the Consumer Price Index occurring between the forty-ninth (49th) month of this Lease and the ninety-seventh (97th) month of this Lease, not to be less than one percent (1%) nor to exceed four percent (4%), per year.

4.4. RENTAL TAXES. Tenant further agrees to pay to Landlord with Rent, or at any other time during or after the Term of this Lease within thirty (30) days after Landlord's demand therefor, at Landlord's election, any excise, sales or transaction privilege tax imposed or levied by any government or governmental agency upon Landlord on account of this Lease, Rent paid hereunder by Tenant or any other payments made or obligations discharged or benefits conferred by Tenant hereunder, including without limitation, payments of Tenant's Proportionate Share of the expenses, if any, under paragraph 5, Real Property Tax under paragraph 6, and the costs of insurance under paragraph 10. Tax calculations will be subject to applicable changes in local and state tax ordinances.

4.5. PROPORTIONATE SHARE. Tenant's Proportionate Share of the expenses under paragraph 5, if any, Real Property Tax under paragraph 6, and the costs of insurance under paragraph 10, to be paid by Tenant to Landlord, as additional rent, shall be one hundred percent (100%).

5. COMMON CHARGES; LEGAL COMPLIANCE; ESTIMATED PAYMENTS. Tenant shall pay to Landlord as additional rent, which shall be due within thirty (30) days after demand, any fee, charge or other assessment against the Premises or any portion thereof that is levied or assessed pursuant to any property owners' association, CC&R's or similar authority, or any fee, charge or other assessment against the Premises or any portion thereof that represents a fair and equitable percentage of the cost of repair, maintenance, upkeep, and replacement (including periodic resurfacing) of any road, street, amenity or common area directly serving the Premises. Landlord will provide Tenant with prior notice of the amount and due dates of potential charges under this paragraph as soon as possible after the information is available to Landlord. Landlord will also make every reasonable effort to provide Tenant with prior notice of the work to be done, which shall be reasonable under the circumstances, but Landlord's good faith failure to give this notice does not relieve Tenant of its payment obligation for the reasonable fee, charge or other assessment due.

Tenant shall also pay to Landlord as additional rent, which shall be due within thirty (30) days after demand, the yearly amortization of capital costs incurred by Landlord for improvements or structural repairs to the Premises required to comply with any laws, rules or regulations of any governmental authority having jurisdiction over the Premises which are enacted after the Commencement Date of this Lease, or with any changes in laws, rules or regulations of any governmental authority having jurisdiction over the Premises which existed on the Commencement Date, but which were enacted or come into effect after the Commencement Date, or the application of either, which shall be amortized over the useful life of such improvements or repairs, as reasonably estimated by Landlord.

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Landlord at its option may invoice Tenant on a monthly, quarterly or other periodic basis for Tenant's Proportionate Share of the expenses under paragraph 5, if any, Real Property Tax under paragraph 6, and the

cost of insurance under paragraph 10, based on Landlord's good faith estimate of such charges. Tenant will pay the invoiced sum(s) to Landlord within thirty (30) days after Tenant receives the invoice(s). Within ninety (90) days after the end of each calendar or fiscal year, whichever period permits the greatest accuracy in recapitulation, estimated charges will be reconciled with actual charges, and within thirty (30) days following Landlord's delivery of a reconciliation to Tenant, Landlord shall pay to Tenant, or Tenant to Landlord, as the case may be, the difference between such actual and estimated charges. On reasonable prior notice to Landlord, Tenant shall have the right to audit Landlord's books with respect to common charges within twelve (12) months of Tenant's receipt of final reconciliation. If the audit discloses an overcharge of five percent (5%) or more, Landlord will pay for Tenant's reasonable audit fees and promptly refund to Tenant any overcharge. At least thirty (30) days before Tenant takes possession of any portion of the Premises, Landlord will deliver to Tenant a good faith estimate prepared by Landlord of the charges Tenant will be required to pay under this Lease and will deliver to Tenant thereafter from time to time at periodic intervals, but no more frequently than twice per calendar year, a revised estimate of the charges.

6. TAXES.

6.1. PAYMENT OF TAXES. Within thirty (30) days after demand by Landlord, Tenant shall pay to Landlord, as additional rent, Tenant's Proportionate Share of the Real Property Tax, as defined in paragraph 6.2, applicable to the Premises during the Term of this Lease. If any such taxes shall cover any period of time prior to or after the expiration of the Term, Tenant's share of such taxes shall be equitably prorated to cover only the period of time within the tax fiscal year during which this Lease shall be in effect, and Landlord shall reimburse Tenant to the extent required.

6.2. DEFINITION OF "REAL PROPERTY TAX". As used herein, the term "Real Property Tax" shall include any form of real estate tax or assessment, general, special, ordinary or extraordinary, commercial rental tax, improvement bond or bonds, levy or tax (other than inheritance, personal income or estate taxes) imposed on the Premises by any authority having the direct or indirect power to tax, including any city, state or federal government, or any school, agricultural, sanitary, fire, street, drainage or other improvement district thereof, as against any legal or equitable interest of Landlord in the Premises, as against Landlord's right to rent or other income therefrom. The term "Real Property Tax" shall also include any tax, fee, levy, assessment or charge (i) in substitution of, partially or totally, any tax, fee, levy, assessment or charge hereinabove included within the definition of "Real Property Tax," or (ii) the nature of which was hereinbefore included within the definition of "Real Property Tax", or (iii) which is imposed by reason of this transaction, any modifications or changes hereto or any transfers hereof. The term "Real Property Tax" shall also include the reasonable cost to Landlord of any tax protest conducted by Landlord that results in a decrease in the Real Property Tax, but only to the extent that Tenant benefits from the decrease. The term "Real Property Tax" shall not

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include (a) inheritance or estate taxes imposed upon the Premises or any portion thereof, (b) federal, state or local income taxes imposed upon Landlord, and (c) late payment charges or other penalties.

6.3. JOINT ASSESSMENT. Until the Premises are a separately assessed tax parcel, Tenant's liability under paragraph 6 shall be a fair and equitable proportion of the Real Property Tax for all of the land and improvements included within the tax parcels assessed, such proportion allocable to the Premises to be reasonably determined by Landlord from the valuations assigned in the assessor's work sheets or other reliable information. Landlord will make every reasonable effort to cause the Premises to become a separately assessed tax parcel at the earliest possible date.

6.4. PERSONAL PROPERTY TAXES.

(a) Tenant shall pay prior to delinquency all taxes assessed against and levied upon trade fixtures, furnishings, furniture, equipment and all other personal property of Tenant contained in the Premises or elsewhere. When possible, Tenant shall cause such trade fixtures, furnishings, furniture, equipment and all other personal property to be assessed and billed separately from the Premises.

(b) If any of Tenant's personal property shall be assessed with the Premises, Tenant shall pay Landlord the taxes attributable to Tenant within thirty (30) days after receipt of a written statement from Landlord setting forth the taxes applicable to Tenant's property, accompanied by reasonable supportive documentation of the taxes.

6.5. TAX PROTEST. If Tenant desires to have the Real Property Tax protested, Tenant shall notify Landlord at least sixty (60) days prior to any deadline to protest the Real Property Tax. At Landlord's option Landlord may

elect to protest the Real Property Tax itself, in which event Landlord shall diligently pursue such protest, the reasonable cost of which shall be charged to Tenant and payable to Landlord within thirty (30) days after Landlord's demand therefor, or Landlord may elect to permit Tenant to protest the Real Property tax at Tenant's sole expense. If required by law, the Real Property Tax shall be paid under protest and in the lawfully prescribed manner to preserve the right of protest. Landlord and Tenant shall cooperate one with the other in conjunction with any protest of the Real Property Tax. Nothing in this paragraph shall relieve Tenant of its obligation to pay to Landlord the Real Property Tax required under this Lease when due. In any event, Landlord shall always have the right to protest the Real Property Tax at its sole expense.

7. INTENTIONAL DELETION

8. USE; COMPLIANCE WITH LAW; ENVIRONMENTAL; CONDITION.

8.1. USE. The Premises shall be used and occupied only for (a) general office and telemarketing purposes (and related activities) and (b) such other

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similar purposes as may be approved by Landlord in writing, which approval shall not be unreasonably withheld; provided, however, that all uses of the Premises must be lawful, shall be in compliance with all applicable zoning regulations, codes, stipulations and conditions, as well as any CC&R's, shall be compatible with Landlord's overall development, of which the Premises are a part, and shall not result in, nor have a reasonable likelihood of resulting in, the release or discharge of contaminants, pollutants or hazardous substances or wastes or give rise to cleanup or other liabilities or obligations under the environmental laws. The Premises shall not, however, be used for manufacturing purposes without the prior written consent of Landlord, which may be withheld in Landlord's sole discretion for any reason. It is Tenant's responsibility to comply with all applicable zoning ordinances or other ordinances, regulations, requirements, stipulations, covenants and restrictions affecting Tenant's use or occupation of the Premises.

8.2. COMPLIANCE WITH LAW.

(a) Landlord warrants to Tenant that the Premises, in their state existing on the Commencement Date, but without regard to the specific use for which Tenant will use the Premises, does not materially violate any covenants or restrictions of record, or any applicable zoning or building code in effect on the Commencement Date. In the event it is determined that this warranty has been materially violated and such violation will adversely affect Tenant's actual use and enjoyment of the Premises, or put Tenant to expense, of which Tenant must give Landlord written notice within one (1) year after the Commencement Date, then it shall be the obligation of Landlord, after written notice from Tenant, to promptly, at Landlord's sole cost and expense, rectify any such violation to the extent necessary to facilitate Tenant's use and enjoyment of the Premises.

(b) Except as provided in paragraph 8.2(a), Tenant shall, at Tenant's expense, comply promptly with all applicable laws, statutes, ordinances, rules, regulations, orders, covenants, restrictions of record, insurance underwriters' requirements, and all other requirements in effect during the Term or any part of the Term, present or future, regulating Tenant's operation on and occupancy and use of the Premises. Tenant shall not use the Premises, including placing loads upon any floor or wall, in a manner for which the Premises were not designed, engineered or constructed. Tenant shall not place a load upon any floor or wall exceeding the load per square foot (or other applicable unit) area which such floor or wall was designed to carry and/or which is prescribed by any law or regulation in existence during the Term of this Lease. Tenant shall not use nor permit the use of the Premises in any manner that will tend to create waste or a nuisance or, if there shall be more than one tenant in the building containing the Premises, shall offend, annoy or disturb such other tenants. Tenant shall not cause the Premises to fall out of compliance with the Americans with Disabilities Act (the Premises at Landlord's expense shall be in compliance with the Americans with Disabilities Act at the Commencement Date excepting only any noncompliance resulting from design or other error caused by Tenant or its own agents or consultants). The Premises, this Lease and Tenant's use of the Premises shall at all times during this Lease be subject to and in full compliance with any CC&R's now or later in force against the Premises.

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8.3. ENVIRONMENTAL.

(a) The terms "Environmental Law" and "Environmental

Laws" include all current and future federal, state and local environmental laws, statutes, rules, regulations and ordinances, as the same may be amended and modified from time to time, including but not limited to, common law, the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), the Resource Conservation and Recovery Act ("RCRA"), the Toxic Substances Control Act ("TSCA"), and also including, but not limited to, any current or future law, statute, rule, regulation or ordinance (whether federal, state or local) regulating, protecting, preserving, or concerning the environment (including air, soil, subsoil, water, ground water, land use or operations).

(b) The terms "Hazardous Substance" and "Hazardous Substances" include any and all hazardous substances, hazardous wastes, hazardous materials, regulated substances, toxic substances, pesticides, fungicides, rodenticides, petroleum products, asbestos or asbestos-containing materials, polychlorinated biphenyls, radon gas, urea formaldehyde foam insulation, flammable items, explosives, radioactive materials, paints, solvents, lead, cyanide, DDT, printing inks, acids, ammonia compounds and other chemical products, PCBs and similar compounds, and any other products or materials which may have adverse effects on the environment or the health and safety of persons, and any and all other substances, wastes, pollutants, contaminants and materials regulated or controlled in any manner by any Environmental Law.

(c) Tenant shall not cause or permit any Hazardous Substance to be generated, produced, brought upon, transported to or from, used, stored, recycled, treated or disposed of in or about the Premises by Tenant, its agents, employees, contractors, sublessees or invitees without the prior written consent of Landlord, except for reasonable amounts of standard office products (e.g., toner) and cleaning materials used in the ordinary course by Tenant, in all events in full compliance with applicable Environmental Laws. Landlord shall be entitled to take into account such factors as Landlord may reasonably determine to be relevant in determining whether to grant or withhold consent to Tenant's proposed activity with respect to Hazardous Substances, and to require appropriate safeguards and other protection. Landlord shall not unreasonably withhold its written consent to Tenant's use of substances which may qualify as Hazardous Substances but which are incidental to Tenant's use of the Premises and which can be used safely without risk to the environment and which shall be used in full compliance with applicable Environmental Laws. Notwithstanding any provision herein to the contrary, Tenant may use and operate the emergency generator referred to in paragraph 3.2(d) and the associated diesel engine and diesel tank so long as such use and operation are in full compliance with any applicable Environmental Laws. In no event, however, shall Landlord be required to consent to the installation or use of any storage tanks or containers on the Premises, or to any use, activity, or practice which may pose an environmental risk to, and/or result in the release, spill, discharge, or disposal of Hazardous Substances in, upon, under, or about the Premises, or adjacent property (including but not limited to the air or the ground water). Tenant shall not, and Tenant shall

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ensure that Tenant's agents, employees, contractors, sublessees and invitees shall not, release, spill, discharge, or dispose of any Hazardous Substance in, upon, under, or about the Premises, or adjacent property (including but not limited to the air or the ground water). Tenant shall not install nor permit to be installed on or in the Premises any substance containing asbestos and determined to be hazardous by any governmental authority or any friable asbestos. If any such substance or any friable asbestos is determined to be in or on the Premises as a result of the actions of Tenant, Tenant shall promptly comply with any applicable Environmental Laws (which may or may not require removal of the material), at Tenant's expense, and Landlord shall have the same obligation if asbestos is in or on the Premises as a result of the actions of Landlord including without limitation construction of the Improvements.

(d) Tenant shall fully comply with, and cause its agents, employees, contractors, sublessees, and invitees to fully comply with all Environmental Laws with respect to their use of the Premises. Tenant shall obtain, comply with, and provide Landlord with copies of all permits required in connection with Tenant's use of the Premises or by any Environmental Law, if any.

(e) Landlord or its agents may enter the Premises at all reasonable times upon not less than forty-eight (48) hours advance notice to inspect and conduct tests in order to monitor Tenant's compliance with all applicable Environmental Laws and the provisions of this paragraph 8.3. In the absence of an emergency Landlord and its agents shall schedule any inspection or testing of the Premises in a way to minimize interference with Tenant's operations on the Premises.

(f) Tenant shall promptly notify Landlord of any of the following:

(i) Any emission, spill, release, or

discharge into the environment of any Hazardous Substances.

(ii) Any correspondence or communication to Tenant or its agents from any governmental agency or board regarding the presence or suspected presence of Hazardous Substances on the Premises or regarding the application of the Environmental Laws to the Premises or Tenant's activities on the Premises.

(iii) Tenant's knowledge of any circumstances reasonably likely to give rise to a claim that Tenant, Landlord, or the Premises may be in violation of the Environmental Laws.

(iv) Any change in Tenant's activities on the Premises that will change or is reasonably likely to change Tenant's or Landlord's obligations or liabilities under the Environmental Laws.

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(g) Tenant shall indemnify, defend and hold Landlord and Landlord's shareholders, directors, officers, partners, members, agents, employees, and affiliates, and their respective successors and assigns, harmless, through counsel reasonably acceptable to Landlord, for, from, and against all costs, expenses, claims (including, without limitation, toxic-tort or third-party claims), damages, actions, liabilities, suits, investigations, judgments, impositions, clean-up and remediation costs (including without limitation, costs of removing transformers or other equipment which contain polychlorinated biphenyls, underground storage tanks and asbestos or asbestos-containing materials and the costs of cleaning any contaminated drywells), "super priority" liens, fines (civil or criminal) and penalties of every nature, whatsoever, including without limitation, related attorneys' fees and expenses incurred by Landlord and Landlord's shareholders, directors, officers, partners, members, agents, employees, and affiliates, and their respective successors and assigns, directly or indirectly, by reason of Tenant's breach of any provision of this paragraph 8.3, or by reason of any violation of, or noncompliance with, or the application of, any Environmental Law, by, or by reason of the acts or omissions of, Tenant or its agents, employees, contractors, sublessees, or invitees, or the use and occupation of the Premises by any of them (but excluding the acts and omissions of Landlord or its agents, employees, contractors, sublessees, or invitees) in, upon, about, or under the Premises, including but not limited to a release, spill, discharge or disposal of a Hazardous Substance. This indemnification by Tenant shall include, without limitation, all costs of any investigation, monitoring, removal, restoration, abatement, repair, clean up, detoxification or other ameliorative work required by any governmental agency or Environmental Law. The provisions of this paragraph 8.3 shall survive the expiration or termination of this Lease, termination of Tenant's occupancy of the Premises, or Tenant's abandonment or vacation of the Premises.

(h) Landlord shall indemnify, defend and hold Tenant and Tenant's shareholders, directors, officers, partners, members, agents, employees, and affiliates, and their respective successors and assigns, harmless, through counsel reasonably acceptable to Tenant, for, from, and against all costs, expenses, claims (including, without limitation, toxic-tort or third-party claims), damages, actions, liabilities, suits, investigations, judgments, impositions, clean-up and remediation costs (including without limitation, costs of removing transformers or other equipment which contain polychlorinated biphenyls, underground storage tanks and asbestos or asbestos-containing materials and the costs of cleaning any contaminated drywells), "super priority" liens, fines (civil or criminal) and penalties of every nature, whatsoever, including without limitation, related attorneys' fees and expenses incurred by Tenant and Tenant's shareholders, directors, officers, partners, members, agents, employees, and affiliates, and their respective successors and assigns, directly or indirectly, by reason of a release, spill, discharge, or disposal of a Hazardous Substance by Landlord or its agents, employees, subcontractors, or invitees, in, upon, about, or under the Premises which occurs prior to the Commencement Date, or by reason of Landlord's own storage or treatment of a Hazardous Substance in, upon, about, or under the Premises or violation of, or noncompliance with, any Environmental Law, but excluding the acts and omissions of Tenant or its agents, employees, contractors, sublessees, or invitees including, without limitation, any release, spill, discharge or disposal of a Hazardous Substance by Tenant or

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its agents, employees, contractors, sublessees, or invitees. This indemnification by Landlord shall include, without limitation, all costs of any investigation, monitoring, removal, restoration, abatement, repair, clean up, detoxification or other ameliorative work required by any governmental agency or Environmental Law. The provisions of this paragraph 8.3(h) shall survive the expiration or termination of this Lease.

(i) Landlord is currently updating a Phase One Environmental Site Assessment on the Premises and will deliver a copy of the updated assessment to Tenant once the assessment is available.

8.4. CONDITION OF PREMISES.

(a) Landlord shall deliver the Premises to Tenant clean and free of debris on the Commencement Date (subject to any damage caused by Tenant during any early entry under paragraph 3.5) and Landlord further warrants to Tenant that the plumbing, lighting, electrical, mechanical and life safety systems, air conditioning, heating and loading doors in the Premises shall be in good operating condition on the Commencement Date. In the event that it is determined that this warranty has been violated, unless Tenant has caused the problem, then it shall be the obligation of Landlord, after receipt of written notice from Tenant setting forth with specificity the nature of the violation, which Landlord must receive within one (1) year after the Commencement Date, to promptly, at Landlord's sole cost, rectify such violation. Tenant's failure to give such written notice to Landlord within such one-year period shall cause the conclusive presumption that Landlord has complied with all of Landlord's obligations hereunder.

(b) Except as otherwise provided in this Lease, Tenant hereby accepts the Premises in the condition existing as of the Commencement Date subject to all applicable zoning, municipal, county and state laws, ordinances and regulations governing and regulating the use of the Premises and any CC&R's, and accepts this Lease subject thereto and to all matters disclosed thereby. Tenant acknowledges that neither Landlord nor Landlord's agent has made any representation or warranty or other promise as to the suitability of the Premises for the conduct of Tenant's business other than as set forth in the express provisions of this Lease.

(c) Notwithstanding any provision in this Lease to the contrary, all punchlist items will be rectified by Landlord within thirty (30) days after Tenant takes possession of the particular sub-phase or phase in question, provided that if Landlord requires additional time to rectify any item that cannot be rectified within thirty (30) days, notwithstanding Landlord's reasonable diligence, Landlord shall have a reasonable period of time thereafter to rectify such item. Notwithstanding any provision in this Lease to the contrary, Tenant will not be liable for material structural latent defects, which will remain the obligation of Landlord at Landlord's expense during the Term.

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9. MAINTENANCE, REPAIRS AND ALTERATIONS.

9.1. TENANT'S OBLIGATIONS. Excepting only Landlord's obligations under paragraph 9.4, Tenant shall maintain, replace, and keep in good order, condition and repair, the interior and exterior of the Premises, and every part thereof, (whether or not the need for such repairs occurs as a result of Tenant's use, the elements or the age of such portion of the Premises) including, without limiting the generality of the foregoing, the maintenance, repair and replacement of all plumbing, heating, air conditioning, ventilating, electrical, lighting facilities and equipment within the Premises, fixtures, walls (interior), ceilings, floors, windows, doors, plate glass and skylights located within the Premises, and all loading docks and areas, landscaping, driveways and parking lots (including periodic resurfacing), fences and signs located on the Premises. Tenant shall also be responsible for regular painting of the exterior and the interior of the Improvements. Tenant shall, at all times throughout the Term, including all renewals and extensions, and at its sole expense, subject to paragraph 9.4 below and the second paragraph of paragraph 5 above, keep and maintain the interior and the exterior of the Premises in a clean, safe, orderly, sanitary and first class condition in compliance with all applicable laws, codes, ordinances, rules and regulations, free of any accumulation of dirt and rubbish, and Tenant shall arrange its own trash removal. Tenant shall also be responsible for the routine and ordinary service and maintenance of the roof (including reasonable preventive care, but excluding capital repairs/replacements). Tenant is free to use its own professional management or facilities management in its maintenance of the Premises so long as the quality thereof is in keeping with Tenant's obligations to Landlord under this Lease.

9.2. SURRENDER. On the last day of the Term hereof, or on any sooner termination, Tenant shall surrender the Premises to Landlord in the same condition as when received, ordinary wear and tear, nonstructural alterations, approved structural alterations and damage which is Landlord's obligation to repair excepted, clean and free of damage or debris. Tenant shall repair any damage to the Premises occasioned by the installation or removal of Tenant's trade fixtures, furnishings and equipment. Notwithstanding anything to the contrary otherwise stated in this Lease, Tenant shall leave the air lines, power panels, electrical distribution systems, lighting fixtures, space heaters, air conditioning, plumbing, loading doors and fencing on the Premises in good operating condition.

9.3. LANDLORD'S RIGHTS. If Tenant fails to perform Tenant's obligations under this paragraph, or under any other paragraph of this Lease, Landlord may at its option (but shall not be required to) enter upon the Premises or take other appropriate action after fifteen (15) days prior written notice to Tenant and Tenant's failure to cure (except in the case of urgency, in which case no notice shall be required), perform such obligations on Tenant's behalf and put the same in good order, condition and repair, or take other appropriate action, and the cost thereof, together with interest thereon at two points over the Bank of America prime rate announced from time to time, shall become due and payable on demand as additional rental to Landlord.

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9.4. LANDLORD'S OBLIGATIONS. Notwithstanding paragraph 9.1, Landlord shall, at its sole cost and expense, repair and maintain only the roof structure, the structural floor and foundations, and the exterior structural walls (excluding painting) in good order and repair, except that Tenant shall repair and pay for any damage thereto caused by Tenant or Tenant's employees, agents or invitees, or by Tenant's default hereunder. Tenant shall immediately give Landlord written notice of any defect or need of repair after which Landlord shall have reasonable opportunity to repair same or cure such defect. Landlord's liability hereunder shall be limited to the cost of such repairs or curing such defect. Landlord shall not be liable for damage to Tenant's improvements, fixtures, inventory and equipment within the Premises. In the event of failure by Landlord to perform its covenants and obligations to repair and maintain the Premises under this paragraph 9.4, Tenant may, at its option, after ten (10) days written notice, or in an emergency, any other notice (verbal or written) that is reasonable under the circumstances, proceed to make such repairs or perform such maintenance and be reimbursed by Landlord ten (10) days after demand by Tenant. If Landlord fails to pay Tenant when due any sum owing hereunder interest at two points over the Bank of America prime rate announced from time to time shall accrue on such sum.

Except for the obligations, if any, of Landlord under paragraph 8.2(a), paragraph 8.3(h) and 8.4(a) (relating to Landlord's warranty), this paragraph 9.4 and paragraph 11 (relating to destruction of the Premises), Landlord shall have no obligation, in any manner whatsoever, to repair, replace and maintain the Premises or the Improvements located thereon or the equipment therein, whether structural or nonstructural, all of which obligations are intended to be that of the Tenant under paragraph 9.1 hereof. Tenant expressly waives the benefit of any statute or law now or hereinafter in effect which would otherwise afford Tenant the right to make repairs at Landlord's expense or to terminate this Lease because of Landlord's failure to keep the Premises in good order, condition and repair, but Tenant's waiver shall not relieve Landlord of any express contractual repair obligations placed on Landlord by this Lease. Notwithstanding the foregoing, should Landlord receive any warranties or guaranties of any materials, equipment or workmanship and such warranty or guaranty is applicable to portions of the Premises for which Tenant is liable to repair and maintain as required hereunder, Landlord shall enforce such warranties to the fullest possible extent.

9.5. ALTERATIONS AND ADDITIONS.

(a) Tenant shall not, without Landlord's prior written consent, which shall not unreasonably be withheld or delayed, make any alterations, improvements, additions or Utility Installations in, on or about the Premises, except for nonstructural alterations not exceeding \$50,000 per alteration and \$250,000 in cumulative costs during each year of the Term of this Lease. In any event, Tenant shall make no change or alteration to the exterior of the Premises (including without limitation expansion of the building) or to the structural or mechanical elements of the Premises or add a mezzanine or increase the useable floor area in the Premises without Landlord's prior written consent. Such alterations and additions shall not decrease the value of the Premises, or impair the structural integrity of the Premises. As used in this paragraph 9.5

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the term "Utility Installation" shall mean air lines, power panels, electrical distribution systems, space heaters, air conditioning and plumbing. Landlord may require that Tenant remove any or all of said alterations, improvements, additions or Utility Installations at the expiration of the Term, and restore the Premises to their prior condition or, at Landlord's election, reimburse Landlord for the cost of such restoration. Landlord may require Tenant to provide Landlord, at Tenant's sole cost and expense, a lien and completion bond in an amount equal to one and one-half times the estimated cost of any improvements having a projected cost of \$250,000 or more, to insure Landlord against any liability for mechanic's and materialmen's liens and to insure completion of the work. Landlord may impose reasonable conditions from time to time with respect to the improvements to which Landlord may consent, including

without limitation, compliance with all laws, rules, Environmental Laws, regulations, ordinances and requirements of governments or governmental agencies, and the time and manner in which such work shall be accomplished. Should Tenant make any alterations, improvements, additions or Utility Installations without the prior approval of Landlord, Landlord may require that Tenant remove any or all of the same. Landlord shall have the right, when Landlord's consent is required, to approve Tenant's contractor(s), which approval shall not be unreasonably withheld or delayed. Notwithstanding the foregoing, Tenant may relocate cubicles within the Improvements without Landlord's prior consent.

Notwithstanding the foregoing, Tenant may add Tenant's communications equipment to the roof of the Premises so long as all roof-mounted equipment strictly complies with applicable CC&R's, laws and building codes. Tenant will be solely responsible for all structural and non-structural modifications required to install or remove its roof-mounted equipment. All work will be done at Tenant's expense in strict compliance with the provisions of this paragraph 9.5. Landlord shall have the right to have a representative of Landlord present at all times during such installation or removal. Landlord will have no responsibility whatsoever for the safety or well being of Tenant's roof-mounted equipment. Tenant will repair immediately any damage caused to the roof or other parts of the Premises by virtue of Tenant's installation, maintenance or removal of its roof-mounted equipment, or Tenant's other acts.

Prior to the commencement of any alterations, improvements, additions or Utility Installations on the Premises, Tenant shall inquire of Landlord whether Landlord will require Tenant to remove such alterations, improvements, additions or Utility Installations at the end of the Term. Landlord shall promptly advise Tenant whether or not Landlord will require removal, and if Landlord's advice to Tenant is affirmative, then Tenant shall remove the alterations, improvements, additions or Utility Installations in question at the end of the Term at Tenant's sole expense in a manner that does not damage or destroy the Premises, or if reasonable damage to the Premises is inevitable, Tenant will take all practicable steps to minimize the damage and, in any event, will restore the Premises to the condition they were in prior to removal to the degree feasible.

(b) Any alterations, improvements, additions, or Utility Installations in, or about the Premises that Tenant shall desire to make and which requires the consent of the Landlord shall be presented to Landlord in written form, with proposed

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detailed plans. Landlord shall have thirty (30) days to review the proposed alterations, improvements, additions or Utility Installations and related detailed plans. If Landlord shall give its consent, the consent shall be deemed conditioned upon Tenant acquiring a permit to do so from appropriate governmental agencies (if legally required), the furnishing of a copy thereof to Landlord prior to the commencement of the work and the compliance by Tenant of all conditions of the permit in a prompt and expeditious manner and compliance by Tenant with all laws, rules, regulations, recommendations and/or requirements of any government or governmental agency. In no event shall Tenant cause the Premises to fall out of compliance with such laws, rules, regulations, recommendations or requirements by virtue of Tenant's alterations, improvements, additions or Utility Installations.

(c) Tenant shall pay, when due, all claims for labor, professional services and materials furnished to or for Tenant at or for use in the Premises, which claims are or may be secured by any mechanic's or materialmen's lien against the Premises or any interest therein. Tenant shall give Landlord not less than ten (10) days' notice prior to the commencement of any work in the Premises, and Landlord shall have the right to post notices of non-responsibility in or on the Premises as provided by law. If Tenant shall, in good faith, contest the validity of any such lien, claim or demand, then Tenant shall, at its sole expense defend itself and Landlord against the same and shall pay and satisfy any such adverse judgment that may be rendered thereon before the enforcement thereof against Landlord or the Premises, upon the condition that if Landlord shall require (but only for disputed claims in excess of \$100,000), Tenant shall furnish to Landlord a surety bond satisfactory to Landlord in an amount equal to one hundred fifty percent (150%) of such contested lien claim or demand indemnifying Landlord against liability for the same and holding the Premises free from the effect of such lien or claim.

(d) Unless Landlord requires their removal, as set forth in paragraph 9.5(a), all alterations, improvements, additions and Utility Installations (whether or not such Utility Installations constitute trade fixtures of Tenant), which may be made on the Premises, shall become the property of Landlord and remain upon and be surrendered with the Premises at the expiration of the Term. Notwithstanding the provisions of this paragraph 9.5

(d), Tenant's machinery and equipment, other than that which is affixed to the Premises so that it cannot be removed without material damage to the Premises, shall remain the property of Tenant and may be removed by Tenant subject to the

provisions of paragraph 9.2, and subject to Landlord's statutory landlord's lien rights in the event of Tenant's uncured default under this Lease.

10. INSURANCE AND INDEMNITY.

10.1. LIABILITY INSURANCE.

(a) Tenant shall, at Tenant's expense, obtain and keep in force during the Term of this Lease and during Tenant's occupancy of the Premises a policy of comprehensive (broad form) general liability insurance with a \$3,000,000 combined single limit for bodily injury, including death, and property damage, including but not limited to, contractual liability under this Lease and personal injury, covering the

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Premises and Tenant's use and occupancy thereof against all claims on account of bodily injury or death and property damage occurring upon, in or about the Premises or in connection with the ownership, maintenance use and/or occupancy of the Premises and all appurtenant areas. Landlord and at Landlord's option any mortgagee of Landlord shall be named as additional insureds under the policy. The policy shall insure performance by Tenant of its indemnity provisions contained in this Lease. The limits of said insurance shall not, however, limit the liability of Tenant hereunder. Tenant shall comply with all rules, orders, directions, regulations, requirements and recommendations of the Insurance Services Office or any similar bodies and shall not do or permit anything to be done in or upon the Premises or bring upon or keep anything therein which shall increase the rates of any insurance on the Premises.

(b) Landlord shall, at Landlord's expense, obtain and keep in force during the Term of this Lease and during Tenant's occupancy of the Premises a policy of general liability insurance tailored to "lessor's risk" in such form as may be underwritten in the Tucson-Arizona area with a \$3,000,000 combined single limit for bodily injury, including death, and property damage.

10.2. PROPERTY INSURANCE.

(a) Landlord shall obtain and keep in force during the Term of this Lease a policy or policies of insurance covering loss or damage to the Premises (including the Tenant Improvements) in the amount of the full replacement value thereof, excluding foundation, grading and excavation costs, as the same may exist from time to time, against all perils included within the classification of fire, extended coverage, vandalism, malicious mischief, flood (in the event same is required by a lender having a lien on the Premises), and special extended coverage ("all risk"), but expressly excluding earthquake coverage. Said insurance shall provide for payment of loss thereunder to Landlord or to the holders of mortgages or deeds of trust on the Premises. Landlord shall, in addition, obtain and keep in force during the Term of this Lease a policy of rental value insurance covering all of Tenant's rent and additional rent obligations under this Lease for a period of one year, with loss payable to Landlord. A stipulated value or agreed amount endorsement deleting the coinsurance provision of the policy shall be procured with said insurance. If such insurance coverage has a deductible clause, Tenant shall be liable for such deductible amount up to a maximum of \$10,000. Tenant shall pay to Landlord, as additional rent, Tenant's Proportionate Share of the costs of all insurance and/or deductible required hereunder within thirty (30) days after demand by Landlord. Alternatively, Tenant shall have the option of maintaining the "all risk" insurance described in this paragraph, at Tenant's sole expense, provided all requirements in this paragraph are met. Tenant shall give Landlord at least thirty (30) days notice of its intention to do so.

(b) Landlord shall provide Tenant on request, with a certificate of the property insurance coverages. If Tenant carries the insurance as permitted under paragraph (a) above, Tenant shall provide certificates of insurance to Landlord on an annual basis.

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(c) Landlord will not insure Tenant's fixtures or equipment, or insure Tenant's alterations or improvements and other property unless such alterations or improvements have become a part of the Premises under paragraph 9 hereof. Subject to the foregoing, Tenant shall insure its own fixtures, equipment, alterations and improvements and other property.

10.3. INSURANCE POLICIES. Insurance required hereunder shall be in companies holding a "General Policyholders Rating" of at least A-, or such other rating as may reasonably be required by a lender having a lien on the Premises, as set forth in the most current issue of "Best's Key Rating Guide". Tenant shall provide to Landlord copies of insurance certificates evidencing the existence and the amounts of insurance required in paragraph 10.1 upon Tenant's

execution of this Lease. Landlord shall provide to Tenant copies of insurance certificates evidencing the existence and the amounts of insurance required in paragraph 10.1.(b) upon Landlord's execution of this Lease and thereafter provide Tenant with renewal certificates at least thirty (30) days prior to the expiration of such policy. Landlord shall not do or permit to be done anything which shall invalidate such insurance policy. No such policy shall be cancelable or subject to reduction of coverage or scope of coverage except after sixty (60) days prior written notice to Landlord (or such other amount of notice as shall be required from time to time by applicable law). Tenant shall, at least thirty (30) days prior to the expiration of such policies, furnish Landlord and any mortgagee of Landlord named as an insured with renewal certificates, or Landlord may, in such event, or in any other event when Tenant has failed to provide insurance coverage as required hereunder after three (3) business days' notice thereof to Tenant, at its option, order such insurance and charge the cost thereof to Tenant, which amount shall be payable by Tenant upon demand. Tenant shall not do or permit to be done anything which shall invalidate the insurance policies referred to in this paragraph 10. If Tenant does or permits to be done anything which shall increase the costs of the insurance policies referred to in paragraph 10.2, then Tenant shall forthwith upon Landlord's demand reimburse Landlord for any additional premiums attributable to any act or omission or operation of Tenant causing such increase in the cost of insurance. Any insurance maintained by Tenant under this Lease shall be primary and non-contributory with any insurance coverage separately maintained by Landlord.

Any of Tenant's policies required hereunder may be in the nature of a "blanket policy" which specifically provides that the amount of insurance shall not be prejudiced by other losses covered by the policy.

Notwithstanding the provisions of this paragraph 10, Tenant may elect to self-insure against the types of losses which are required to be insured against hereunder, excepting the property insurance under paragraph 10.2.(a); provided that, during any period of such self-insurance Tenant shall, at all times, maintain a net worth of no less than One Hundred Million Dollars (\$100,000,000). Tenant shall provide Landlord, as well as any lender, with written notice of Tenant's election to self-insure no less than sixty (60) days prior to terminating Tenant's third-party insurance and commencing self-insurance, together with its most recent annual and/or quarterly report(s), showing that Tenant satisfies the financial threshold set forth in the preceding sentence,

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and certified by Tenant's chief financial officer (or other officer with equivalent knowledge and authority) to be a materially accurate reflection of Tenant's net worth and financial condition as of the date of presentation of such report(s) to Landlord.

10.4. WAIVER OF SUBROGATION. Tenant and Landlord each hereby release and relieve the other, and waive their entire right of recovery against the other for loss or damage arising out of or incident to the perils insured against under paragraph 10 which perils occur in, on or about the Premises, whether due to the negligence of Landlord or Tenant or their agents, employees, contractors and/or invitees but only to the extent that insurance policies then in effect permit such waiver without impairing coverage and only to the extent of the coverage provided by such insurance policies. Tenant and Landlord shall, upon obtaining the policies of insurance required hereunder, give notice to the insurance carrier or carriers that the foregoing mutual waiver of subrogation is contained in this Lease.

10.5. TENANT'S INDEMNITY OF LANDLORD. Tenant shall indemnify, defend, and hold harmless Landlord for, from and against any and all claims arising from Tenant's or Tenant's sublessee's or assignee's (or their respective agents, servants, employees or contractors) use or occupancy of the Premises, or from the conduct of Tenant's business or from any activity, work or things done, permitted or suffered by Tenant or Tenant's sublessee or assignee (or their respective agents, servants, employees or contractors) in or about the Premises unless caused by Landlord's negligence or intentional wrongs or Landlord's breach of this Lease, and shall further indemnify, defend and hold harmless Landlord for, from and against any and all claims arising from any breach or default in the performance of any obligation on Tenant's part to be performed under the terms of this Lease, including, without limitation, the provisions of paragraph 8.2, or arising from any negligence of Tenant, or any of Tenant's agents, contractors or employees, and from and against all costs, attorneys' fees, expenses and liabilities incurred in the defense of any such claim or any action or proceeding brought thereon; and in case any action or proceeding be brought against Landlord by reason of such claim, Tenant upon notice from Landlord shall defend the same at Tenant's expense by counsel reasonably satisfactory to Landlord. Tenant, as a material part of the consideration to Landlord, hereby assumes all risk of damage to property or injury to persons in, upon or about the Premises arising from any cause, excepting Landlord's negligence or intentional wrongs, or Landlord's breach of this Lease, and Tenant hereby waives all claims in respect thereof against Landlord. Tenant's obligations and liabilities under this paragraph 10.5 shall

survive the expiration or earlier termination of this Lease or termination of Tenant's occupancy of the Premises. Notwithstanding the foregoing, Tenant shall have no liability hereunder on account of defects in the Premises not caused by Tenant or the agents, employees, contractors or invitees of Tenant.

10.6. EXEMPTION OF LANDLORD LIABILITY. Except as expressly provided to the contrary in Paragraph 10.7, and excepting loss or damage caused by the negligence of Landlord, Landlord's intentional acts, or Landlord's breach of this Lease, Tenant hereby agrees that Landlord shall not be liable for injury to Tenant's business or for any loss of income therefrom or for damage to the goods, wares, merchandise or other

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property of Tenant, Tenant's employees, invitees, customers or any other person in or about the Premises; nor shall Landlord be liable for injury to the person of Tenant, Tenant's employees, agents or contractors, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of pipes, sprinklers, wires, appliances, plumbing, air conditioning or lighting fixtures, or from any other cause, whether damage or injury results from conditions arising upon the Premises, or from other sources or places.

10.7. LANDLORD'S INDEMNITY OF TENANT. Landlord shall indemnify, defend, and hold harmless Tenant for, from and against any and all claims arising from the conduct of Landlord's business or from any activity, work or things done, permitted or suffered by Landlord (or Landlord's agents, servants, employees or contractors) in or about the Premises and shall further indemnify, defend and hold harmless Tenant for, from and against any and all claims arising from any breach or default in the performance of any obligation on Landlord's part to be performed under the terms of this Lease, or arising from any negligence of the Landlord, or any of Landlord's agents, contractors or employees, and from and against all costs, attorneys' fees, expenses and liabilities incurred in the defense of any such claim or any action or proceeding brought thereon; and in case any action or proceeding be brought against Tenant by reason of such claim, Landlord upon notice from Tenant shall defend the same at Landlord's expense by counsel reasonably satisfactory to Tenant. Landlord's obligations and liabilities under this paragraph 10.7 shall survive the termination of this Lease. Notwithstanding the foregoing, Landlord shall have no liability hereunder on account of defects in the Premises not caused by Landlord or the agents, employees, contractors or invitees of Landlord.

11. DAMAGE OR DESTRUCTION.

11.1. DEFINITIONS.

(a) "Premises Partial Damage" shall mean damage or destruction to one of the buildings constituting the Improvements to the extent that the cost of repair is less than 33% of the then replacement cost of such building.

(b) "Premises Total Destruction" shall herein mean damage or destruction to one of the buildings constituting the Improvements to the extent that the cost of repair is 33% or more of the then replacement cost of such building.

(c) "Insured Loss" shall herein mean damage or destruction which was caused by an event required to be covered by the insurance described in paragraph 10, and sufficient insurance proceeds are available for repairs and restoration free of any claim of the holder of a mortgage or deed of trust on the Premises.

11.2. PARTIAL DAMAGE - INSURED LOSS. Subject to the provisions of paragraphs 11.4, 11.5 and 11.6, if at any time during the Term of this Lease there is damage which is an Insured Loss and which falls into the classification of Premises Partial Damage, then Landlord shall, unless Landlord's mortgagee or lender requires otherwise,

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at Landlord's expense, repair such damage (but not Tenant's fixtures, equipment, alterations or improvements unless the same have become a part of the Premises pursuant to paragraph 9.5 and Landlord has not advised Tenant that Landlord will require the removal thereof at the end of the Term) as soon as reasonably possible and this Lease shall continue in full force and effect. If the insurance proceeds received by Landlord are not sufficient to effect such repair, Landlord shall contribute the short-fall and shall make such repairs as soon as reasonably possible and this Lease shall continue in full force and effect.

11.3. PARTIAL DAMAGE - UNINSURED LOSS. Subject to the

provisions of paragraphs 11.4, 11.5, and 11.6, if at any time during the Term of this Lease there is damage which is not an Insured Loss and which falls within the classification of Premises Partial Damage, unless caused by Tenant's breach of this Lease or by any other act of Tenant (in which event Tenant shall make the repairs at Tenant's expense), Landlord may at Landlord's option either (i) repair such damage as soon as reasonably possible at Landlord's expense, in which event this Lease shall continue in full force and effect, or (ii) give written notice to Tenant within thirty (30) days after the date of the occurrence of such damage of Landlord's intention to cancel and terminate this Lease, as of the date of the occurrence of such damage. In the event Landlord elects to give such notice of Landlord's intention to cancel and terminate this Lease, Tenant shall have the right within ten (10) days after the receipt of such notice to give written notice to Landlord of Tenant's intention to repair such damage at Tenant's expense, without reimbursement from Landlord, in which event this Lease shall continue in full force and effect, and Tenant shall proceed to make such repairs as soon as reasonably possible. If Tenant does not give such notice within such ten (10) day period, this Lease shall be canceled and terminated as of the date of the occurrence of such damage.

11.4. TOTAL DESTRUCTION. If at any time during the Term of this Lease there is damage, whether or not an Insured Loss (including destruction required by any authorized public authority), which falls into the classification of Premises Total Destruction, this Lease shall automatically terminate as of the date of such total destruction as follows: if the Premises Total Destruction involves both buildings, this Lease shall terminate entirely; if the Premises Total Destruction involves only one of the buildings, this Lease shall terminate only as to the destroyed building and not as to both, in which event Rent will be reduced in proportion to the square footages of the two buildings.

11.5. DAMAGE NEAR END OF TERM. If at any time during the last nine (9) months of the Term of this Lease there is damage, whether or not an Insured Loss, which falls within the classification of Premises Partial Damage, Landlord or Tenant may terminate this Lease as of the date of occurrence of such damage by giving written notice to the other party of the first party's election to do so within thirty (30) days after the date of occurrence of such damage.

11.6. RECONSTRUCTION. Whether Landlord is required or elects to repair the damage, Landlord will move as expeditiously as possible to settle the insurance loss, re-design the damaged Improvements, obtain required permits and complete the

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repairs. In the event of non-structural damage to the Tenant Improvements, Landlord shall, within forty-five (45) days after the damage, give Tenant a tentative schedule of the time required to repair the damaged Improvements and, within one hundred sixty (160) days after the damage, subject only to Force Majeure or to Tenant Delay, complete the repairs and deliver the repaired Improvements to Tenant Ready for Occupancy. In the event of damage to the roof or structural damage to any of the Improvements, Landlord shall, within seventy-five (75) days after the damage, give Tenant a tentative schedule of the time required to repair the damaged Improvements and, within two hundred forty (240) days after the damage, subject only to Force Majeure or to Tenant Delay, complete the repairs and deliver the repaired Improvements to Tenant Ready for Occupancy. Tenant's sole and exclusive remedy, given Landlord's failure to complete repairs within such time periods, will be termination of this Lease as to the damaged building in question but not as to the other undamaged (if applicable) building.

11.7. ABATEMENT OF RENT; TENANT'S REMEDIES.

(a) In the event of damage described in paragraphs 11.2 or 11.3, and Landlord or Tenant repairs or restores the Premises pursuant to the provisions of this paragraph 11, Rent payable hereunder for the period during which such damage, repair or restoration continues shall be equitably abated on the damaged building in proportion to the degree to which Tenant's use of the building is prevented, except that if seventy-five percent (75%) or more of a building is damaged, Rent on the entire building shall be abated unless Tenant elects, in its sole and absolute discretion, to continue to use the building, in which event Rent shall be equitably abated as otherwise provided herein. Except for abatement of Rent, if any, Tenant shall have no claim against Landlord for any loss or damage (unless intentionally caused by Landlord) including, without limitation, loss of business suffered by reason of any such damage, destruction, repair or restoration.

(b) If Landlord shall be obligated, or otherwise elects, to repair or restore the Premises under the provisions of this paragraph 11 and shall not commence such repair or restoration within a reasonable period of time after the casualty, with due consideration given to adjustment of loss, plans and governmental approvals, subject to reasonable extension for Tenant Delay or Force Majeure, or because it is otherwise impracticable for Landlord to commence repairs within such time period, Tenant may at Tenant's option cancel

and terminate this Lease (but only as to the damaged building at issue) by giving Landlord written notice of Tenant's election to do so at any time prior to the commencement of such repair or restoration. In such event this Lease shall partially terminate as of the date of such notice.

11.8. TERMINATION - ADVANCE PAYMENTS. Upon termination of this Lease pursuant to this paragraph 11, an equitable adjustment shall be made concerning advance Rent and any advance payments made by Tenant to Landlord.

11.9. WAIVER. Tenant waives the provisions of any statutes which relate to termination of leases when leased property is damaged, injured or destroyed and agrees that such event shall be governed by the terms of this Lease.

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12. UTILITIES. Tenant shall pay for all water, sewer, gas, heat, light, power, electricity, telecommunications including telephone and other utilities and services supplied to the Premises, together with any taxes thereon. If any such services are not separately metered to Tenant, Tenant shall pay a reasonable proportion to be determined by Landlord in its reasonable discretion of all charges jointly metered with other premises. Tenant is solely responsible for all service deposits required by utilities and providers and if Landlord has advanced any service deposit (with no obligation to do so) on behalf of Tenant, Tenant will reimburse Landlord on demand.

13. ASSIGNMENT AND SUBLETTING.

13.1. LANDLORD'S CONSENT REQUIRED. Tenant shall not voluntarily or by operation of law assign, transfer, mortgage, sublet or otherwise transfer or encumber all or any part of Tenant's interest in this Lease or in the Premises, without Landlord's prior written consent, which shall not be unreasonably withheld or delayed. Landlord and Tenant agree that the following factors may be considered by Landlord in any reasonable determination of the appropriateness of Tenant's request to assign or sublet the Premises:

(a) The financial strength of the proposed subtenant/assignee must demonstrate an ability on the part of the subtenant/assignee to discharge the Tenant's obligations under this Lease;

(b) The business reputation of the proposed subtenant/assignee shall not be detrimental to Landlord's development;

(c) The use of the Premises by the proposed subtenant/assignee must be expressly authorized under paragraph 8 and will not be more environmentally sensitive than the use thereof by the existing Tenant.

Landlord shall respond to Tenant's request for consent hereunder within ten (10) days of Tenant's request therefor, and any attempted assignment, transfer, mortgage, encumbrance or subletting without such consent shall be void, and shall constitute a breach of this Lease. Any assignee or sublessee (including without limitation an assignee or surviving entity under the following subparagraph) must assume and agree to comply with and be bound by all of the obligations of Tenant under this Lease and under any other written agreement now or hereafter existing between Landlord and Tenant, such assumption to be in a form reasonably satisfactory to Landlord. Landlord agrees that it shall not intentionally and advertently release from liability any assignee or sublessee who has assumed and agreed to comply with and be bound by all of the provisions of this Lease.

Notwithstanding the foregoing, Tenant may assign its rights under this Lease to an affiliate or to an entity into which Tenant may merge, without Landlord's consent, so long as either (i) Tenant remains liable to Landlord under this Lease or (ii) the creditworthiness of the affiliate or the surviving entity, as applicable, is at least equal to that of Tenant in Landlord's reasonable judgment. An "affiliate" is an entity that controls, is

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controlled by or is under common control with Tenant. Landlord shall have the right to approve the creditworthiness of the affiliate or the surviving entity, as applicable, as a condition to any release of Tenant from liability to Landlord under this Lease, Landlord's approval not to be unreasonably withheld. Any release of Tenant will be prospective only and will not relieve Tenant from any liability to Landlord for acts or omissions occurring prior to the date on which Tenant qualifies for release.

13.2. NO RELEASE OF TENANT. Regardless of Landlord's consent, no subletting or assignment shall release Tenant from Tenant's obligations past, present or future, or alter the primary liability of Tenant to pay Rent and to perform all other obligations to be performed by Tenant hereunder unless Tenant

has expressly been released by Landlord under the terms of paragraph 13.1. The acceptance of Rent by Landlord from any other person shall not be deemed to be a waiver by Landlord of any provision hereof. Consent to one assignment or subletting shall not be deemed consent to any subsequent assignment or subletting. In the event of default by any assignee of Tenant or any successor of Tenant, in the performance of any of the terms hereof, Landlord may proceed directly against Tenant without the necessity of exhausting remedies against said assignee. Landlord may consent to subsequent assignments or subletting of this Lease or amendments or modifications to this Lease with assignees of Tenant, without notifying Tenant, or any successor of Tenant, and without obtaining its or their consent thereto and such action shall not relieve Tenant of liability under this Lease, provided, however, that no such amendment or modification to this Lease shall increase the Rent or other monetary obligations required hereunder without the prior written consent of Tenant.

13.3. PROFITS. In the event Landlord consents to any such assignment or subletting, and as a condition thereto, Tenant shall pay to Landlord fifty percent (50%) of all net profit derived by Tenant from such assignment or subletting, after first deducting Tenant's reasonable subleasing expenses including without limitation brokerage commission and alteration expenses necessary for the assignee's or sublessee's occupancy. For purposes of the foregoing, profit shall be deemed to include, but shall not be limited to, the amount of all rent and additional rent payable by such assignee or subtenant in excess of the Rent set forth in this Lease, and rent adjustments, payable by Tenant under this Lease. If a part of the consideration for such assignment or subletting shall be payable other than in cash, the payment to Landlord shall be in cash or its share of any non-cash consideration based upon the fair market value thereof. Tenant shall and hereby agrees that it will furnish to Landlord upon request from Landlord a complete statement, certified by Tenant, setting forth in detail the computation of all profit derived and to be derived from such assignment or subletting, such computation to be made in accordance with generally accepted accounting principles. Tenant agrees that Landlord or its authorized representatives shall be given access at all reasonable times and upon not less than two (2) business days' notice to the books, records and papers of Tenant relating to any such assignment or subletting, and Landlord shall have the right to make copies thereof. The percentage of Tenant's profit due Landlord hereunder shall be paid to Landlord within five (5) days of receipt by Tenant of all payments made from time

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to time by such assignee or subtenant to Tenant. This paragraph 13.3 shall not apply to assignments or subleases to affiliates.

13.4. ATTORNEY'S FEES. In the event Tenant shall assign or sublet the Premises or request the consent of Landlord to any assignment or subletting, then Tenant shall pay Landlord's reasonable attorneys' fees incurred in connection therewith.

13.5. RECAPTURE. Notwithstanding the foregoing, if Tenant proposes to assign the Lease or sublet one (1) entire building, Landlord shall have the right, to be exercised by giving written notice to Tenant within ten (10) days after receipt of Tenant's request to assign or sublet all or part of the Premises, to recapture the space described in Tenant's request and such recapture notice shall, if given, terminate this Lease with respect to the space described as of the date stated in Tenant's request. Tenant's request shall state the name and address of the proposed assignee or subtenant and a true and complete copy of the proposed assignment or sublease shall be delivered to Landlord with Tenant's request. This paragraph 13.5 shall not apply to assignments or subleases to affiliates. Rent shall be pro rated if Landlord recaptures only a portion of the Premises.

14. DEFAULTS; REMEDIES.

14.1. DEFAULTS. The occurrence of any one or more of the following events shall constitute a material default and breach of this Lease (an "Event of Default") by Tenant:

(a) The failure by Tenant to make any payment of Rent or any other payment required to be made by Tenant hereunder, as and when due, where such failure shall continue for a period of ten (10) days after Tenant's receipt of written notice of Tenant's failure to make such payment.

(b) The failure by Tenant to observe or perform any of the covenants, conditions or provisions of this Lease to be observed or performed by Tenant, other than described in paragraph (a) above or in paragraphs (c) through (e) below, where such failure shall continue for a period of thirty (30) days after written notice thereof from Landlord to Tenant; provided, however, that if the nature of Tenant's default is such that more than thirty (30) days are reasonably required for its cure, then Tenant shall not be deemed to be in default if Tenant commenced such cure within said thirty (30) day period and thereafter diligently prosecutes such cure to completion.

(c) (i) The making by Tenant of any general arrangement or assignment for the benefit of creditors; (ii) Tenant becomes a "debtor" as defined in 11 U.S.C. Paragraph 101 or any successor statute thereto (unless, in the case of a petition filed against Tenant, the same is dismissed within sixty (60) days); (iii) the appointment of a trustee or receiver to take possession of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where possession is not restored to Tenant within sixty (60) days; or (iv) the attachment, execution or other judicial seizure of

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substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where such seizure is not discharged within sixty (60) days; provided, however, in the event that any provision of this paragraph 14.1(d) is contrary to any applicable law, such provision shall be enforceable only to the fullest extent permitted by law.

(d) The discovery by Landlord that any financial statement or other financial information given to Landlord by Tenant, any assignee of Tenant, any successor in interest of Tenant (including without limitation an entity surviving a merger with Tenant) or any guarantor of Tenant's obligation hereunder, and any of them, was materially false or materially misrepresented any item or condition.

(e) Tenant shall do or permit anything to be done which creates a lien upon the Premises which is not paid, discharged or bonded around within thirty (30) days after such lien is created or recorded.

14.2. REMEDIES. In the event of any such Event of Default by Tenant, Landlord may at any time thereafter, with or without further notice or demand or termination of this Lease, and without waiving or limiting Landlord in the exercise of any right or remedy which Landlord may have under this Lease or otherwise at law or in equity by reason of such Event of Default exercise any one or more of the following remedies:

(a) Re-enter the Premises and eject all persons therefrom. Retain or take possession of any property belonging to Tenant upon the Premises pursuant to Landlord's statutory landlord lien rights. Such property may be removed and stored in a public warehouse or elsewhere at the cost of and for the account of Tenant, and Landlord shall (unless negligent) in no event be liable for any damage or loss thereto; or

(b) Lock the doors to and otherwise secure the Premises and exclude Tenant and all other persons therefrom (except those authorized by Landlord in its sole and absolute discretion); or

(c) Institute suit against Tenant to collect each installment of rent or other sum as it becomes due or to enforce any other obligation under this Lease; or

(d) With or without terminating the Lease, terminate Tenant's right to possession of the Premises by any lawful means, judicially or nonjudicially, in which case Tenant shall immediately surrender possession of the Premises to Landlord and Landlord shall have the right to reenter the Premises and remove all persons and property therefrom using all force reasonably necessary for this purpose. In such event, or in the event of Landlord's pursuit of its other rights and remedies, Landlord shall be entitled to recover from Tenant all damages incurred by Landlord by reason of Tenant's default including, but not limited to, the cost of recovering possession of the Premises; the cost to Landlord of designing, engineering and constructing for Tenant any tenant improvements or other features of the Improvements

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that are of a specialized or non-general nature not ordinarily included in a general-use building; expenses of reletting, including necessary renovation and alteration of the Premises and the removal of special improvements made for Tenant, reasonable attorney's fees, advertising expenses, the costs of protecting and caring for the Premises while vacant, the cost of removing and storing Tenant's property; any real estate commission actually paid; the worth at the time of award by the court having jurisdiction thereof of the amount by which the unpaid Rent for the balance of the Term after the time of such award exceeds the amount of such rental loss for the same period that Tenant proves could be reasonably avoided; and that portion of any leasing commission paid by Landlord pursuant to paragraph 16 applicable to the unexpired Term of this Lease. The foregoing amounts shall be and become immediately due and payable from Tenant to Landlord upon the occurrence of an Event of Default, at Landlord's election, which may be exercised, upon two (2) business days notice

to Tenant, but this sentence shall not operate to relieve Landlord from the giving of any notice required under paragraph 14.1.

(e) Maintain Tenant's right to possession in which case this Lease shall continue in effect whether or not Tenant shall have abandoned the Premises. In such event Landlord shall be entitled to enforce all of Landlord's rights and remedies under this Lease, including, without limitation, the right to recover Rent as it becomes due hereunder and any other damages incurred by Landlord from time to time. Notwithstanding that Landlord shall have maintained Tenant's right to possession or shall not have terminated the Lease for an Event of Default, Landlord may at any time thereafter, upon notice to Tenant, terminate the Lease and/or Tenant's right to possession for such prior Event of Default.

(f) Pursue any other remedy now or hereafter available to Landlord under the laws or judicial decisions of the state wherein the Premises are located. Unpaid installments of Rent and other unpaid monetary obligations of Tenant under the terms of this Lease shall bear interest from the date due at the rate of two (2) points over the announced prime rate of Bank of America in existence from time to time.

(g) No such re-entry or taking of possession or other remedial action by Landlord shall be construed as an election on Landlord's part to terminate or surrender this Lease unless a written notice of such intention is then or thereafter served on Tenant.

(h) No failure by Landlord to insist upon the strict performance of any covenant, agreement, term or condition of this Lease or to exercise any right or remedy consequent upon a breach thereof, and no acceptance of full or partial Rent during the continuance of any such breach, shall constitute a waiver of any such breach or of such covenant, agreement, term or condition. No covenant, agreement, term or condition of this Lease to be performed or complied with by Tenant, and no breach thereof, shall be waived, altered, modified or terminated except by written instrument executed by Landlord. No waiver of any breach shall affect or alter this Lease, but each and every covenant, agreement, term and condition of this Lease shall continue in full force and effect with respect to any other then existing or subsequent breach thereof.

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(i) If Tenant breaches any of the covenants, agreements, terms or conditions contained in this Lease, Landlord shall be entitled to enjoin such breach or threatened breach, and to invoke any right and remedy allowed at law or in equity or by statute or otherwise as though re-entry, summary proceedings and other remedies were not provided for in this Lease.

14.3. DEFAULT BY LANDLORD.

(a) Landlord shall not be in default under this Lease unless Landlord fails to perform obligations required of Landlord within a reasonable time, but in no event later 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 theretofore been furnished to Tenant in writing, specifying wherein Landlord has failed to perform such obligation; provided, however, that if the nature of Landlord's obligation 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. Subject to Tenant's rights under paragraph 9.4, which shall be unaffected by the terms of this paragraph 14.3, Tenant shall have the right as its sole and exclusive remedy to seek specific performance of this Lease and sue for any direct out-of-pocket expenses it incurs as a result of Landlord's material default in the event Landlord and the holder of any first mortgage or deed of trust covering the Premises fail to cure within the grace periods allotted hereunder a material default of Landlord under this Lease.

(b) LANDLORD AND TENANT, EACH BEING FULLY INFORMED BY THEIR RESPECTIVE COUNSEL OF THE LEGAL CONSEQUENCES, WAIVE THE RIGHT TO TRIAL BY JURY.

14.4. LATE CHARGES. Tenant hereby acknowledges that late payment by Tenant to Landlord of Rent and other sums due hereunder will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed on Landlord by the terms of any mortgage or trust deed covering the Premises. Accordingly, if any installment of Rent or any other sum due from Tenant shall not be received by Landlord or Landlord's designee within fifteen (15) days after such amount shall be due, then, without any requirement for notice to Tenant, Tenant shall pay to Landlord a late charge equal to five percent (5%) of such overdue amount. The parties hereby agree that such late

charge represents a fair and reasonable estimate of the costs Landlord will incur by reason of late payment by Tenant. Acceptance of such late charge by Landlord shall in no event constitute a waiver of Tenant's default with respect to such overdue amount, nor prevent Landlord from exercising any of the other rights and remedies granted hereunder. In the event that a late charge is payable hereunder, whether or not collected, for three (3) consecutive installments of Rent, then Rent shall automatically become due and payable

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quarterly in advance, rather than monthly, notwithstanding paragraph 4 or any other provision of this Lease to the contrary.

Notwithstanding the foregoing, no late charge will be assessed against Tenant the first three times any payment is late so long as the payments are received by Landlord within five (5) business days after Landlord's notice to Tenant of Tenant's late payment(s).

14.6. IMPOUNDS. In the event that a late charge is payable hereunder, whether or not collected, three or more times during a given twelve (12) month period under the terms of this Lease, Tenant shall pay to Landlord, if Landlord shall so request, in addition to any other payments required under this Lease, a monthly advance installment, payable at the same time as the monthly Rent, as estimated by Landlord, for Real Property Tax and insurance expenses on the Premises which are payable by Tenant under the terms of this Lease. Such fund shall be established to insure payment when due, before delinquency, of any or all such Real Property Taxes and insurance premiums. If the amount paid to Landlord by Tenant under the provisions of this paragraph are insufficient to discharge the obligations of Tenant to pay such Real Property Taxes and insurance premiums as the same become due, Tenant shall pay to Landlord, upon Landlord's demand, such additional sums necessary to pay such obligations. All moneys paid to Landlord under this paragraph may be intermingled with other moneys of Landlord and shall not bear interest. In the event of a default in the obligations of Tenant to perform under this Lease, then any balance remaining from funds paid to Landlord under the provisions of this paragraph may, at the option of Landlord, be applied to the payment of any monetary default of Tenant in lieu of being applied to the payment of Real Property Tax and insurance premiums and Tenant shall still be liable for and pay promptly upon demand the Real Property Tax and insurance premiums required under this Lease.

14.6. DISPUTE RESOLUTION. Any dispute, controversy or claim arising out of or relating to this Lease, or the breach thereof, including, but not limited to, any action sounding in tort or breach of any duty or obligation, but excluding any claim or remedy for equitable relief and excluding any claim or remedy for Rent or additional rent or other monetary sums owed, will be resolved by arbitration. The arbitration will be conducted under the auspices of the American Arbitration Association in accordance with the Federal Arbitration Act (9 U.S.C. Section 1 et seq.). The arbitrators will conduct the hearing and determine the matter in accordance with the Commercial Rules of the American Arbitration Association. Any controversy in interpretation or enforcement, or whether an issue is arbitrable, must be determined by the arbitrators. Each party is entitled to present evidence and argument to the arbitrators, and to be represented by counsel. Anything in this Section to the contrary notwithstanding, the arbitrators have the right only to interpret and apply the terms, covenants, agreements, provisions, conditions or limitations of this Lease, and may not change any such terms, covenants, agreements, provisions, conditions or limitations or deprive any party to this Lease of any right or remedy expressly or impliedly provided in this Lease or by law or equity.

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15. CONDEMNATION. If the Premises or any portion is taken under the power of eminent domain, or sold under the threat of the exercise of said power (all of which are herein called "condemnation"), this Lease shall terminate as to the part so taken as of the date the condemning authority takes title or possession, whichever first occurs. If only one of the buildings is taken by condemnation, this Lease shall terminate only as to the building taken and not as to both, in which event Rent will be reduced in proportion to the square footages of the two buildings. If 33% or more of the floor area of either building is taken by condemnation, either Landlord or Tenant shall have the right to terminate this Lease as to such building but not as to the other as of the date the condemning authority takes title or possession, whichever first occurs, upon giving written notice of such election within ten (10) days after Landlord shall have given Tenant written notice of such taking (or in the absence of such notice, within ten (10) days after the condemning authority shall have taken title or possession, whichever first occurs). In the event of a termination resulting from such a taking, both Landlord and Tenant shall be released from further liability under the Lease as to the building involved. If Landlord or Tenant do not terminate this Lease in accordance with the foregoing, this Lease shall remain in full force and effect as to the portion of the

building remaining, except that Rent shall be reduced in the proportion that the floor area taken bears to the total floor area of the building in question. If the nature, location or extent of any proposed taking or appropriation affecting the Premises is such that Landlord elects in good faith to demolish all or substantially all of either building, then Landlord shall have the right to terminate this Lease as to the affected building upon giving notice of termination to Tenant at any time after such condemnation. In the event of such termination, both Landlord and Tenant shall be released from any further liability under this Lease as to the building or buildings, as applicable, that is (are) terminated.

Any award for the condemnation of all or any part of the Premises (including all Tenant Improvements) shall be the property of Landlord, whether such award shall be made as compensation for diminution in value of the leasehold or for the taking of the fee, or as severance damages; provided, however, that Tenant shall be entitled to pursue against the condemning authority but not against Landlord any award to which Tenant may be entitled from such condemning authority for loss of or damage to Tenant's trade fixtures, removable personal property and alterations and improvements paid for by Tenant. If this Lease is terminated, an equitable adjustment shall be made within a reasonable period of time concerning advance rent and any advance payments made by Tenant to Landlord. In the event that this Lease is not terminated by reason of such condemnation, Landlord shall to the extent of severance damages received by Landlord, free of any claim of the holder of a mortgage or deed of trust on the Premises, in connection with such condemnation, repair any damage to the Premises caused by such condemnation except to the extent that Tenant has been reimbursed therefor by the condemning authority. Tenant hereby waives any statutory rights of termination which may arise by reason of any partial taking of the Premises by condemnation.

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16. BROKER'S FEE.

(a) DMI Estate Properties, Inc. ("DMI"), a licensed real estate broker in the State of Arizona, represents Landlord with respect to this Lease transaction. DMI, on behalf of Landlord, will enter (or has entered) into a commission agreement with PICOR and CB Commercial. Landlord shall pay to PICOR and to CB Commercial a real estate brokerage fee per the terms of such commission agreement. Neither the broker named above nor any other real estate agent, salesperson, finder or broker shall be deemed or considered as a third party beneficiary of this paragraph. Landlord and Tenant may alter, amend or modify this Lease or any related document without the consent of any such broker, salesperson, agent or finder. Excepting Landlord's obligation to PICOR and to CB Commercial, Landlord and Tenant each hereby agree to indemnify and defend the other from and against any claim for commission or brokerage or finders fees from any party claiming all or part of same arising out of a relationship with or through the indemnifying party and the indemnifying party shall defend any claim or action for a commission or fee by counsel acceptable to the indemnified party promptly upon notice from the indemnified party.

17. ESTOPPEL CERTIFICATE; COOPERATION WITH LANDLORD'S LENDERS; FINANCIAL INFORMATION.

(a) Tenant shall at any time upon not less than fifteen (15) days prior written notice from Landlord execute, acknowledge and deliver to Landlord a statement in writing (i) certifying, if true, that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modifications and certifying that this Lease, as so modified, is in full force and effect) and the date to which Rent and other charges are paid in advance, if any; (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; (iii) acknowledging that the Premises are in the condition called for in the Lease and the Improvements have been satisfactorily completed, or if not, then specifying why they are not; (iv) acknowledging that Tenant has unconditionally accepted the Premises, is in possession thereof, and no defense to the Lease enforcement exists, or if such is not the case, then specifying why; and (v) agreeing to provide any Landlord mortgagee or lender with reasonable opportunity to cure defaults by the Landlord, Any such statement may be conclusively relied upon by any prospective purchaser or encumbrancer of the Premises, who, at Landlord's request, shall be co-addressees of the statement.

(b) At Landlord's option, Tenant's failure to deliver such statement within such time shall be a material breach of this Lease or shall be conclusive upon Tenant (i) that this Lease is in full force and effect, without modification except as may be represented by Landlord, (ii) that there are no uncured defaults in Landlord's performance, (iii) that not more than one month's rent has been paid in advance; (iv) that the Premises have been satisfactorily completed by Landlord and that Tenant is in possession thereof; (v) that no defenses exist to the enforcement of the Lease; and (vi) that Tenant agrees to be bound by provision (v) in paragraph 17(a) above.

(c) if Landlord desires to finance, refinance or sell the Premises, or any part thereof, or if Landlord's lender requires financial information on Tenant, Tenant hereby agrees to deliver to any lender or purchaser designated by Landlord such financial statements of Tenant as may be reasonably required by such lender or purchaser. Such statements shall be limited to Tenants past three (3) year's annual reports and/or any quarterly reports (unaudited) issued during such period. All such financial statements shall be received by Landlord and such lender or purchaser in confidence and shall be used only for the purposes herein set forth.

(d) Tenant hereby represents and warrants to Landlord that all balance sheets, statements of profit and loss and other financial data furnished by Tenant and any guarantor to Landlord (the "Financial Information") prior to the execution of this Lease fairly present the financial condition of Tenant and such guarantor as of the dates thereof, and the results of its operations for the periods for which the same are furnished; and there has been no change in the assets, liabilities or financial condition of Tenant and such guarantor from that set forth in the Financial Information, other than changes in the ordinary course of business, none of which changes has been materially adverse to Tenant and such guarantor. The foregoing representations and warranties shall apply equally to all financial information furnished by Tenant and any guarantor to Landlord after the execution of this Lease.

Tenant hereby acknowledges that the Financial Information is a material inducement to Landlord's entering into this Lease with Tenant.

18. LANDLORD'S LIABILITY. The term "Landlord" as used herein shall mean only the owner or owners at the time in question of the fee title or a Tenant's interest in a ground lease of the Premises. In the event of any transfer of such title or interest, Landlord herein named (and in case of any subsequent transfers then the 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. The obligations contained in this Lease to be performed by Landlord shall, subject as aforesaid, be binding on Landlord's successors and assigns only during their respective periods of ownership.

Tenant agrees to look solely to Landlord's interest in the Premises and the proceeds thereof for the recovery of any judgment from Landlord or the payment of any obligation, liability or claim under, arising out of or relating to this Lease, it being hereby agreed that except to the extent of Landlord's interest in the Premises and the proceeds thereof, Landlord, any assets of Landlord, or if Landlord is a partnership, its partners whether general or limited, or if Landlord is a corporation, Landlord, its directors, officers or shareholders, or if Landlord is a limited liability company, Landlord and its members shall never be liable for any judgments, claims, obligations or liabilities under, arising out of, or relating to this Lease.

19. SEVERABILITY. The invalidity of any provision of this Lease as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

20. INTEREST ON PAST-DUE OBLIGATIONS. Except as expressly herein provided, any amount due to Landlord not paid when due shall bear interest from the date due at the rate of two points over the prime rate of Bank of America announced from time to time. Payment of such interest shall not excuse or cure any default by Tenant under this Lease, provided, however, that interest shall not be payable on late charges incurred by Tenant nor on any amounts upon which late charges are paid by Tenant. If Tenant's default is subject to late charge, Landlord may charge interest or impose the late charge as it sees fit, but may not impose both on the same defaulted obligation. The reciprocal is true: Any amount Landlord owes to Tenant if not paid when due shall bear interest from the date due at the rate of two points over the prime rate of Bank of America announced from time to time.

21. TIME OF ESSENCE. Time is of the essence of each and every obligation and duty under this Lease.

22. ADDITIONAL RENT. Any monetary obligation of Tenant to Landlord under the terms of this Lease shall be deemed to be additional rent and shall be collectible as such.

23. INCORPORATION OF PRIOR AGREEMENTS; DISCLAIMER OF REPRESENTATIONS AND WARRANTIES; AMENDMENTS. This Lease contains all agreements of the parties with respect to the Premises. No prior agreement, representation or understanding, whether oral or written, pertaining to any such matter shall be effective. Landlord hereby disclaims all representations and warranties, express or implied, and all covenants, promises, and understandings, concerning the condition, suitability, or habitability of the Premises, excepting only those which are set forth in this Lease explicitly. This Lease may be modified in writing only, signed by the parties in interest at the time of modification. Tenant hereby acknowledges that no real estate broker or agent or any agent or employee of Landlord made any oral or written warranties or representations to Tenant relative to the condition or use by Tenant of the Premises.

24. NOTICES. Any notice or demand required or permitted to be given hereunder shall be in writing and may be given by personal delivery (which may include overnight courier, and facsimile transmission followed by a mailed copy) or by certified mail, postage prepaid, return receipt requested, and if given personally or by mail, shall be deemed sufficiently given if addressed to Tenant or to Landlord at the address noted below the signature of the respective parties, as the case may be. Either party may by notice to the other specify a different address for notice purposes. Any notice shall be deemed received upon personal delivery or three (3) days after deposit into U.S. Mail.

25. WAIVERS. No waiver by Landlord of any provision hereof shall be deemed a waiver of any other provision hereof or of any subsequent breach by Tenant of

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the same or any other provision. Landlord's consent to, or approval of, any act shall not be deemed to render unnecessary the obtaining of Landlord's consent to or approval of any subsequent act by Tenant. The acceptance of rent hereunder by Landlord shall not be a waiver of any preceding breach by Tenant of any provision hereof, other than the failure of Tenant to pay the particular rent so accepted, regardless of Landlord's knowledge of such preceding breach at the time of acceptance of such rent. The reciprocal is true: No waiver by Tenant of any provision hereof shall be deemed a waiver of any other provision hereof or of any subsequent breach by Landlord of the same or any other provision.

26. RECORDING; CONFIDENTIALITY. If Tenant requests, the parties shall execute a short-form memorandum of lease in recordable form setting forth the date of the Lease, the names of the parties, a description of the premises, the length of the term (and any renewal provisions), but in no event shall such short-form memorandum of lease set forth the rental rate or any other "Proprietary" information belonging to Landlord.

Landlord and Tenant agree to maintain to the greatest degree practicable the confidentiality of this transaction. Tenant shall control the communication process relative to communications to the community and the press including press releases. Tenant will coordinate these communications with Landlord.

27. HOLDING OVER. If Tenant, with Landlord's consent, remains in possession of the Premises or any part thereof after the expiration of the Term hereof and without executing a new lease therefor, such occupancy shall be a tenancy from month to month at a rental in the amount of 125% of the rent paid or payable during the last month of the Term of this Lease plus all other charges payable hereunder and upon all the other provisions of this Lease pertaining to the obligations of Tenant, but all options and rights of first refusal, if any, granted under the terms of this Lease shall be deemed terminated and be of no further effect during such month-to-month tenancy. If Tenant, without Landlord's express written consent, remains in possession of the Premises or any part thereof after expiration of the Term hereof, Landlord may re-enter and take possession of the Premises and have all other remedies set forth in Paragraph 14.2, provided that in addition to such remedies (and not in lieu thereof), Tenant shall pay for each day of occupancy after expiration of the Term hereof a sum equal to 150% of the monthly rent for the last month of the Term prorated on a daily basis based upon a thirty day month.

Notwithstanding the foregoing, if Landlord and Tenant are involved after the end of the Term in good faith negotiations that ultimately result in an extension of the Term, the Rent payable during the period of negotiation shall be at the rate payable during the last month of the Term without increase during the period of good faith negotiation.

28. CUMULATIVE REMEDIES. No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies hereunder or at law or in equity.

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29. COVENANTS AND CONDITIONS. Each provision of this Lease performable by Tenant shall be deemed both a covenant and a condition.

30. BINDING EFFECT; CHOICE OF LAW. Subject to any provisions hereof restricting assignment or subletting by Tenant and subject to the provisions of paragraph 18, this Lease shall bind the parties, their personal representatives, successors and assigns. This Lease shall be governed by the laws of the State of Arizona.

31. SUBORDINATION.

(a) This Lease, at Landlord's option, shall be subordinate to any ground lease, mortgage, deed of trust, or any other hypothecation or security hereafter placed upon the Premises and to any and all advances made on the security thereof and to all renewals, modifications, consolidations, replacements and extensions thereof. If any mortgagee, deed of trust beneficiary or trustee, or ground lessor shall elect to have this Lease prior to the lien of its mortgage, deed of trust or ground lease, and shall give written notice thereof to Tenant, this Lease shall be deemed prior to such mortgage, deed of trust, or ground lease, whether this Lease is dated prior or subsequent to the date of said mortgage, deed of trust or ground lease or the date of recording thereof.

(b) Tenant agrees to execute any documents reasonably required to effectuate an attornment, a subordination or to make this Lease prior to the lien of any mortgage or deed of trust covering the Premises, provided that Tenant shall concurrently receive a nondisturbance agreement from such lender in form reasonably acceptable to Tenant. Tenant's failure to execute such documents within fifteen (15) days after written demand shall constitute an Event of Default by Tenant hereunder.

32. ATTORNEY'S FEES. If either party named herein brings an action to enforce the terms hereof or declare rights hereunder, the prevailing party in such action, on trial or appeal, shall be entitled to its reasonable attorneys' fees to be paid by the losing party as fixed by the court.

33. LANDLORD'S ACCESS. Landlord and Landlord's agents shall have the right to enter the Premises at all reasonable times and (unless an emergency) upon not less than forty-eight (48) hours' notice and from time to time for the purpose of inspecting the same, showing the same to prospective purchasers, lenders, or tenants (only during the last one hundred eighty (180) days of the Term), and making such alterations, repairs, improvements or additions to the Premises as Landlord may deem necessary or desirable. Landlord may at any time place on or about the Premises any ordinary "For Sale" signs and Landlord may at any time during the last one hundred eighty (180) days of the Term hereof place on or about the Premises any ordinary "For Lease" signs, all without rebate of rent or liability to Tenant. If Landlord is placing "For Sale" signs on or about the Premises, Landlord will consult with Tenant in good faith to find a reasonable way to avoid giving the impression that Tenant is selling its business or going out of business.

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34. AUCTIONS. Tenant shall not conduct, nor permit to be conducted, either voluntarily or involuntarily, any auction upon the Premises without first having obtained Landlord's prior written consent.

35. SIGNS. Tenant shall not place any sign upon the exterior of the Premises without Landlord's prior written consent, which shall not be unreasonably withheld or delayed. Tenant's signs must comply with applicable CC&R's and sign regulations. Entry monumentation will be constructed along Tucson Boulevard providing Tenant with identification. It is expected that Country Club Commerce Center will also provide Tenant with signage on the entry monument. Tenant will also be provided additional signage at the entry to the Premises off the planned private roadway that will connect the Premises with Tucson Boulevard. All signage and monumentation shall comply with applicable CC&R's and sign regulations.

36. MERGER. The voluntary or other surrender of this Lease by Tenant, or a mutual cancellation thereof, or a termination by Landlord, shall not work a merger, and shall, at the option of Landlord, terminate all or any existing subtenancies or may, at the option of Landlord, operate as an assignment to Landlord of any or all of such subtenancies.

37. INTENTIONAL DELETION

38. QUIET POSSESSION. Upon Tenant paying Rent for the Premises and observing and performing all of the covenants, conditions and provisions on Tenant's part to be observed and performed hereunder, Tenant shall have quiet possession of the Premises for the entire Term hereof against the acts of Landlord, subject to all of the provisions of this Lease. The individuals executing this Lease on behalf of Landlord represent and warrant to Tenant

that they are fully authorized and legally capable of executing this Lease on behalf of Landlord and that such execution is binding upon all parties holding an ownership interest in the Premises.

39. OPTIONS.

39.1. DEFINITION. If Landlord has granted Tenant any option or right of first refusal in the Addendum, as used in this paragraph the word "Option(s)" shall have the meanings set forth in the Addendum.

39.2. OPTIONS PERSONAL. Each Option granted to Tenant in this Lease is personal to Tenant and any affiliate of Tenant (as defined in paragraph 13.1) and any entity into which Tenant may merge, and may not be exercised or be assigned, voluntarily or involuntarily, by or to any other person or entity. No assignee or sublessee of Tenant's rights under this Lease shall have the right to exercise any Option granted under this Lease. The Options granted to Tenant are not assignable separate and apart from this Lease. Options granted to Tenant, if any, shall be granted only in the Addendum. Notwithstanding anything in paragraph 39 to the contrary, nothing in paragraph 39 is intended to or shall be deemed to grant to Tenant any Options.

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39.3. MULTIPLE OPTIONS. In the event that Tenant has any multiple options to extend or renew this Lease a later Option cannot be exercised unless the prior Option to extend or renew this Lease has been so exercised.

39.4. EFFECT OF DEFAULT ON OPTIONS.

(a) Tenant shall have no right to exercise an Option, notwithstanding any provision in the grant of Option to the contrary, (i) during the time commencing from the date Landlord gives to Tenant a notice of default pursuant to paragraph 14.1 and continuing until the default alleged in such notice of default is cured, or (ii) at any time after any other Event of Default described in paragraph 14.1, or (iii) in the event that Landlord has given to Tenant three or more notices of default under paragraph 14.1, or Tenant has committed an Event of Default three or more times under paragraph 14.1, whether or not the Events of Default are cured, in each case during the twelve (12) month period prior to the time that Tenant intends to exercise the Option.

(b) The period of time within which an Option may be exercised shall not be extended or enlarged by reason of Tenant's inability to exercise an Option because of the provisions of the foregoing paragraph. An Option and all rights of Tenant thereunder shall terminate upon the termination or expiration of this Lease or upon the termination of Tenant's right of occupancy under this Lease.

(c) All rights of Tenant under the provisions of an Option shall terminate and be of no further force or effect, notwithstanding Tenant's due and timely exercise of the Option, if, after such exercise and during the Term of this Lease, Tenant commits an Event of Default which has not been cured or an Event of Default which by its nature cannot be cured under paragraph 14.1.

40. SECURITY MEASURES. Tenant hereby acknowledges that Rent payable to Landlord hereunder does not include the cost of guard service or other security measures and that Landlord shall have no obligation whatsoever to provide same. Tenant assumes all responsibility for the protection of Tenant, its agents, its employees and servants, its invitees and its property from acts of third parties.

41. EASEMENTS; RULES AND REGULATIONS; ETC. Landlord reserves to itself the right, from time to time, to grant such easements, rights, dedications, plats and replats that Landlord reasonably deems necessary or desirable, and to cause the recordation of same, so long as such do not unreasonably interfere with the use of or access to the Premises by Tenant. Tenant shall sign any of the aforementioned documents upon request of Landlord.

Landlord may establish from time to time reasonable rules and regulations applicable to the Premises for the benefit, care, management and operation of the Premises. Landlord shall provide Tenant with reasonable notice of all rules and

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regulations. Tenant agrees to faithfully observe and comply with all such reasonable rules and regulations.

42. FORCE MAJEURE. Neither party shall be responsible for any delay or failure in the observance or performance of any term or condition of this Lease

to be observed or performed by it other than payment of Rent, payment of any other monetary obligation or discharge of an insurance obligation to the extent that such delay or failure results from action, omission, or order of, or failure or refusal to grant approvals by, governmental authorities; unexpected or uncommon delays in the issuance of building or other permits; civil commotions; strikes, fires, acts of God or the public enemy; inability to procure labor, material, fuel, electricity, or other forms of energy; any weather-caused delay or any other cause beyond the reasonable control of a party, whether or not similar to the matters herein specifically enumerated. Notwithstanding the foregoing, Force Majeure shall not include Landlord's failure to satisfy any applicable zoning conditions to the development or use of the Premises. Any such delay or failure shall extend by like time any period of performance by Landlord or Tenant and shall not be deemed a breach of or failure to perform this Lease or any provisions hereof, and the foregoing provision shall take precedence over any other provision in this Lease to the contrary.

43. AUTHORITY. If Tenant is a corporation, trust, general or limited partnership, or limited liability company, each individual executing this Lease on behalf of such entity represents and warrants that he or she is duly authorized to execute and deliver this Lease on behalf of said entity.

44. CONFLICT. Any conflict between the printed provisions of this Lease and any typewritten or handwritten provisions shall be controlled by the typewritten or handwritten provisions. The Addendum shall be controlling over the foregoing provisions of this Lease.

45. ADDENDUM. Attached hereto is the Addendum which constitutes an integral part of this Lease.

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The parties hereto have executed this Lease on the dates specified immediately next to their respective signatures.

LANDLORD:

TENANT:

TACC INVESTORS, LLC

INTUIT INC., a Delaware corporation

By: DIAMOND VENTURES, Inc.
Its: Manager

By /s/ [SIG]

Its President

By /s/ [SIG]

Its Chief Financial Officer & Vice
President of Finance & Corporate
Services

Executed on: 4/22/98

Executed on: April 15, 1998

Address:

Address:

2200 East River Road
Tucson, AZ 85718
Attn: Diamond Ventures, Inc.,
Manager
Fax: 520-299-5602

Intuit Inc.
_____ Tucson Blvd.
Tucson, Arizona _____
Attn: Real Estate Manager

With a copy to:
Intuit Inc.
2550 Garcia Avenue, 2nd Floor
Mountain View, CA 94043
Attn: Vice President of Finance
And Corporate Services
Fax: 650-944-5499

And with a copy to:
Intuit Inc.
2550 Garcia Avenue, 2nd Floor
Mountain View, CA 94043
Attn: General Counsel
Fax: 650-944-6622

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EXHIBIT A

Intuit Teleservice Center
Tucson Airport Commerce Center
ADDENDUM TO BUILD TO SUIT LEASE
Dated APRIL 8, 1998
between TACC INVESTORS, LLC and
INTUIT INC.

THIS ADDENDUM TO BUILD TO SUIT LEASE ("Addendum") is attached to and made a part of the attached Build to Suit Lease between TACC Investors, LLC, an Arizona limited liability company, as Landlord, and Intuit Inc., a Delaware corporation, as Tenant. In the event of any conflict between the terms of this Addendum and the terms of the attached Build to Suit Lease, the terms of this Addendum shall govern. This Addendum and the attached Build to Suit Lease are collectively called the "Lease".

46. OPTIONS TO EXTEND. Subject to the terms and conditions of paragraph 39, Tenant shall have the right to extend the Term of this Lease for two (2) successive periods of five (5) years each (the "Renewal Terms"), by giving written notice of exercise of these options to Landlord at least six (6) months before expiration of the Initial Term and the First Renewal Term, as applicable. Each Renewal Term shall be on the same terms and conditions of this Lease (unless patently inapplicable) except that Rent payable by Tenant to Landlord during each of the Renewal Terms shall be calculated as follows:

(a) The monthly Rent rate per square foot for each Renewal Term shall be increased (but not decreased) by a factor equal to the cumulative percentage increases in the Consumer Price Index occurring since the last preceding adjustment in Rent, such increase not to be less than one percent (1%) nor to exceed four percent (4%), per year. Such increase shall be effective as of the first day of the First Renewal Term and the first day of the Second Renewal Term, respectively.

(b) During each Renewal Term the monthly Rent rate shall be further increased (but not decreased) every other year based on the cumulative percentage increase in the Consumer Price Index during the preceding year, not to be less than one percent (1%) nor to exceed four percent (4%), per year.

(c) Whenever this Lease requires an adjustment of the Rent payable by Tenant to Landlord based on Consumer Price Index Increases, the final Consumer Price Index published nearest the adjustment date shall apply. If the Consumer Price Index is changed so that the "base year" differs from that used herein, the Consumer Price Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the Consumer Price Index is discontinued or revised during the Term of this Lease, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained if the Consumer Price Index had not been discontinued or revised. On any adjustment of Rent based on the Consumer Price Index (or its replacement) Landlord and Tenant shall immediately execute an amendment to this Lease reflecting the new Rent.

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47. EXPANSION. Landlord and Tenant have identified the eight-acre vacant parcel of land (the "Expansion Area") situated adjacent to and west of the Premises, as shown on Exhibit A, as a site suitable for Tenant's future expansion plans (the "Expansion"). (Within thirty (30) days after the date of this Lease Landlord will provide in the form of Exhibit D, which shall be attached to this Lease, an accurate legal description of the Expansion Area prepared by a reputable and licensed civil engineer or surveyor.) Two Expansion scenarios are possible. Scenario One would involve an expansion of the then-existing Improvements to add a minimum of an additional thirty thousand (30,000) square feet and a maximum of an additional one hundred thousand (100,000) square feet of building space and a proportionate amount of additional parking spaces. Scenario One may or may not involve the Expansion Area. Scenario Two would involve development of an entirely new building or buildings on the Expansion Area. Any expansion under Scenario One or Scenario Two must move in an east-to-west direction and not west-to-east.

Accordingly, if Landlord desires to sell, lease, or otherwise use all or any part of the Expansion Area for a purpose inconsistent with Tenant's Expansion ("Landlord's Alternate Use"), Landlord shall promptly give Tenant written notice of Landlord's proposed Alternate Use, whereupon Tenant shall have fifteen (15) days following Tenant's receipt of Landlord's notice to advise Landlord of Tenant's election to negotiate with Landlord for an Expansion. If Tenant does not so elect, or if after good faith negotiations Landlord and Tenant fail for any reason to sign an agreement for Tenant's Expansion within thirty (30) days after Landlord's receipt of Tenant's reply (either event being considered a "Waiver"), Landlord may thereafter proceed with the Alternate Use free of any right or claim of Tenant. If the Alternate Use involves only a portion of the Expansion Area, Tenant's rights under this paragraph will continue in the remainder of the Expansion Area, except that Tenant's right to expand into the Expansion Area will cease should the Expansion Area be fewer

than two (2) acres in size due to previous Waiver(s) or for any other reason, and no expansion in the Expansion Area shall leave Landlord with fewer than two (2) undeveloped acres. Tenant shall be deemed to have exercised its rights hereunder when Tenant shall have advised Landlord of Tenant's election to negotiate with Landlord for an Expansion.

If Tenant has exercised its rights hereunder, the following terms and conditions will apply:

(a) Scenario One. All terms and conditions of an Expansion under Scenario One including, without limitation, shell Base Building, Tenant Improvements, time for buildout, Tenant improvement allowance and all other economic factors will be the product of good faith negotiation between the parties since these terms and conditions are not inferable from the terms of this Lease due to the nature of development and changing economic conditions, except for the following terms and conditions, and no agreement regarding an Expansion under Scenario One shall be binding upon either party until a mutually acceptable amendment to this Lease has been executed by Landlord and Tenant with the approval of their respective counsel:

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(i) The Term of this Lease for the entire Premises, including the Expansion, will be adjusted and extended for a term of ten (10) years commencing on the date the Expansion Area is Ready for Occupancy, subject to further extension(s) under paragraph 46, except that the total Term of this Lease shall in no event exceed thirty (30) years, which shall end no later than twenty (20) years after the end of the initial Term calculated under paragraph 3.1.

(ii) The rental rate setting the Rent for the new square footage in the Expansion (the "New Space") (but not the original Premises) shall be based initially on the then-prevailing Market Rental Rate for a comparable building improvement in the vicinity of the Premises as reasonably determined by Landlord and Tenant. If Landlord and Tenant are unable to agree on the Market Rental Rate, Landlord and Tenant shall select a highly qualified and reputable real estate professional with at least ten (10) years of experience in the relevant leasing market (the "Arbiter") to determine the Market Rental Rate. If Landlord and Tenant are unable to agree on the Arbiter, the resident manager of the largest commercial real estate brokerage firm in Tucson will select the Arbiter from a major brokerage firm other than the resident manager's own firm. The term "largest" means the brokerage firm with the largest sales volume in the preceding calendar year. The term "major" means a brokerage firm ranking in the top four in sales volume in Tucson. The terms "largest" and "major" shall exclude (1) CB Commercial; (2) Picor; and (3) DMI Estate Properties, Inc.

The initial rental rate setting the Rent for the New Space will be periodically adjusted based on the formulas in paragraphs 4.1 and 46 that determine the Rent for the original Premises.

(b) Scenario Two. All terms and conditions of an Expansion under Scenario Two including, without limitation, shell Base Building, Tenant Improvements, time for buildout, Tenant Improvement allowance, rental rate and all other economic factors will also be the product of good faith negotiation between the parties since these terms and conditions are not inferable from the terms of this Lease due to the nature of development and changing economic conditions, and no agreement regarding an Expansion under Scenario Two shall be binding upon either party until a mutually acceptable final lease agreement has been executed by Landlord and Tenant with the approval of their respective counsel.

(c) Development of any Expansion shall be in strict compliance with applicable law and regulations, CC&R's and, to the extent applicable, the provisions of this Lease.

(d) If any dispute should arise under this paragraph 47, either party shall have the right to resolve the dispute through an action for declaratory judgment or for specific performance, but neither party shall have, and hereby waives, the right to terminate this Lease over such dispute.

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(e) The obligations of Landlord under this paragraph 47 shall be binding on any successor of Landlord, except any institutional lender entity who is the successor to Landlord as the result of foreclosure of a mortgage or deed of trust, exercise of the trustee's power of sale under a deed of trust encumbering any such interest of Landlord, or any conveyance in lieu of foreclosure ("Successor Through Foreclosure"). If any Successor Through Foreclosure does not elect in its sole and absolute discretion to undertake the Expansion pursuant to this paragraph 47, Tenant may do so itself through a licensed contractor in strict compliance with the terms and conditions of paragraph 9.5, except that the cost limitations therein shall not apply to the Expansion. If the Expansion is built by Tenant under this paragraph, a condition precedent thereto shall be Tenant's purchase of the Expansion Area at its then

fair market value. If Tenant and the then fee owner of the Expansion Area are unable to agree on the fair market value of the Expansion Area, fair market value shall be determined by the same procedure that determines the Market Rental Rate under this paragraph 47.

48. Day Care Center. Landlord acknowledges Tenant's desire to incorporate a day care center into Tenant's "Campus" at Country Club Commerce Center. Landlord is prepared to establish a "pad" for the desired day care center and to explore with Tenant and operators of day care centers a center at Country Club Commerce Center that would serve the needs of Tenant's employees and the employees of other employers and residents in the Tucson International Airport area. Neither party is required to establish a day care center at Country Club Commerce Center but if either party desires to pursue discussions, the other party will participate in the discussions in good faith. If any dispute should arise under this paragraph 48, either party shall have the right to resolve the dispute through an action for declaratory judgment or for specific performance, but neither party shall have, and hereby waives, the right to terminate this Lease over such dispute.

AMENDMENT TO LEASE

This Amendment to Lease ("Amendment") is entered into effective April 14, 1998, by and between KILROY REALTY, L.P., a Delaware limited partnership ("LANDLORD"), and INTUIT INC., a Delaware corporation ("TENANT"), with reference to that certain Lease dated as of June 9, 1995, by and between Landlord (as successor to UTC Greenwich Partners, L.P., a California limited partnership) and Tenant ("LEASE"). Certain defined terms used in this Amendment not defined herein shall have the same meaning as ascribed to those terms in the Lease.

RECITALS

A. Section 4.5 of the Lease contemplates that Landlord will construct an additional office building or buildings on the Land, refers to such additional building or buildings as "Additional Improvements," and describes the terms and conditions under which Tenant may elect to lease some or all of any such Additional Improvements.

B. Landlord has decided to construct on the Land a three (3)-story concrete tilt-up office building totaling 71,000 square feet of Gross Area and tenant has elected to lease the entirety of such building (the "Additional Premises") on the terms and conditions described in this Amendment.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Landlord and Tenant agree to amend the Lease as follows:

AGREEMENT

1. Design and Construction of Additional Premises. Landlord shall construct the Additional Premises, including the Building and associated Improvements and the Tenant Improvements, (i) in conformance with the site plan, elevations and outline specifications for the Building site and shell attached hereto as Exhibit "A," and (ii) consistent with the terms of the Lease to the extent logically applicable to the Additional Premises. The improvement plans for the Tenant Improvements shall be prepared by Tenant and Tenant's architect and constructed by Landlord. Upon Substantial Completion of the Additional Improvements, the Additional Premises shall be measured to determine the exact square footage of Gross Area they contain. There shall be no change regarding any matter contained in this Amendment which is calculated based on the square footage of Gross Area contained in the Additional Premises (e.g. Annual Rent, allowances) unless the final measurement reveals that the final square footage of the Gross Area of the Additional Premises is less than 70,290 (1% discrepancy), in which case such items shall be adjusted based on the actual square footage of Gross Area.

2. Term Commencement Date. The Term Commencement Date for the Additional Premises (the "New Term Commencement Date") shall be upon Substantial Completion of the Additional Premises. It is anticipated that the New Term Commencement Date for the Additional Premises will be April 1, 1999. Landlord shall use reasonable diligence to complete all construction prior to April 1, 1999.

2.1 Delay. If the New Term Commencement Date has not occurred by July 1, 1999 (subject to Sections 27 and 3.2.5 of the Lease), Tenant can terminate this Amendment under the terms of Section 3.2.2 of the Lease. Further, if the New Term Commencement Date has not occurred by July 1, 1999 (plus up to 30 days for Force Majeure Delay), and Tenant has not otherwise terminated this Amendment, Landlord shall pay a daily penalty to Tenant in accordance with Section 3.2.3 of the Lease as liquidated damages.

2.2 Occupancy of Additional Premises. Tenant shall be entitled to the 30-day notice provided under Section 5.2.1 of the Lease, as well as the rights granted to Tenant under Sections 5.2.3 and 5.3, in each case with respect to the Additional Premises. To the extent logically applicable, effective as of the New Term Commencement Date, all provisions of the Lease shall apply to the Additional Premises as well as the existing Demised Premises.

April 14, 1998

-1-

3. Extension of Term. Upon the New Term Commencement Date, the Term of the entire Lease, including the existing Demised Premises and the Additional Premises (together the "Combined Demised Premises") shall continue until eight (8) years from the New Term Commencement Date.

4. Option to Extend. Tenant shall continue to be entitled to the Extension Options granted in Section 4.3 of the Lease, with the Option Term Annual Rent an amount equal to the greater of (i) ninety-five percent (95%) of

the then Fair Market Value of the Combined Demised Premises, as stated on an annual basis and determined pursuant to Section 4.3.3 of the Lease, and (ii) the Annual Rent for the Combined Demised Premises which was in effect immediately prior to the commencement of the Option Term in question, times 1.075.

5. Tenant Improvements Allowances. Landlord shall provide a base allowance to be applied toward the portion of the Total Project Costs which are incurred in connection with the construction of the Tenant Improvements (including design, engineering, permits and fees) in the amount of One Million Five Hundred Sixty Two Thousand Dollars (\$1,562,000) (\$22.00 per square foot of Gross Area) (the "Base Allowance"). Landlord shall also provide an additional allowance to be applied, at Tenant's request, toward the portion of the Total Project Costs which are incurred in connection with the construction of the Tenant Improvements not funded by the Base Allowance in the amount of One Million Two Hundred Seventy Eight Thousand Dollars (\$1,278,000) (\$18.00 per square foot of Gross Area) (the "Excess Allowance"). Tenant will not require any additional refurbishment allowances during the Initial Term, as modified hereby, and any improvements made to the Demised Premises shall be solely at Tenant's expense and subject to the provisions of Section 15 of the Lease.

6. Annual Rent.

6.1 Demised Premises. The Annual Rent for the Demised Premises shall not increase until the New Term Commencement Date, at which time it shall increase to One Million Nine Hundred Eighty Two Thousand Six Hundred Forty-Five Dollars (\$1,982,645) (based on the product of \$1.17 per square foot per month and the 141,214 square feet of Gross Area in the Demised Premises).

6.2 Combined Demised Premises. The Annual Rent for the Combined Demised Premises, as of the New Term Commencement Date, shall equal the sum of (i) the Annual Rent for the Demised Premises pursuant to Section 6.1, above, plus, (ii) Nine Hundred Fifty Four Thousand Two Hundred Forty Dollars (\$954,240) (based on the product of \$1.12 per square foot per month and 71,000 square feet of Gross Area in the Additional Premises), a total of Two Million Nine Hundred Thirty Six Thousand Eight Hundred Eighty Five Dollars (\$2,936,885) (the "Combined Annual Rent"). From and after the New Term Commencement Date, the term "Annual Rent" wherever it appears in the Lease shall be read as "Combined Annual Rent."

6.3 Annual Rent Escalations. The Combined Annual Rent shall be increased on the thirty-first (31st), sixty-first (61st) and ninety-first (91st) monthly anniversary of the New Term Commencement Date to an amount equal to the product of (i) the Combined Annual Rent then payable, and (ii) 1.075.

6.4 Amortization of Excess Allowance. Tenant shall also pay to Landlord, as Additional Rent, on a monthly basis, an amount sufficient to fully amortize and repay the Excess Allowance in ninety-six (96) equal monthly payments over the Initial Term at an interest rate of nine percent (9%) per annum. If Tenant uses the entire Excess Allowance, such Additional Rent amount shall be an annual amount of Two Hundred Twenty Four Thousand Six Hundred Seventy Six Dollars (\$224,676).

7. Contingency. Landlord's obligations under this Amendment are contingent upon the purchase by Landlord of the SDG&E Land, which is anticipated to be completed by June 30, 1998, and the substantial conformance review approval by the City of San Diego of the construction of the Additional Improvements, which is anticipated to be obtained by April 30, 1998.

-2-

April 14, 1998

8. Commissions. Tenant and Landlord represent and warrant that there are no commissions, fees and sums which are now or in the future may be due and payable with regard to leasing, acquisition or other such matters related to the Demised Premises or the Additional Demised Premises, other than those owed to Colliers Illif Thorn and The Staubach Company, pursuant to separate written agreements, for which Landlord shall be solely responsible. Landlord and Tenant agree to indemnify and hold each other harmless from any and all liability for the payment of commissions, fees and other sums other than those specifically enumerated above.

9. Ratification of Lease; No Other Modifications. Except as expressly amended and modified by this Amendment, Landlord and Tenant hereby ratify and affirm the terms and provisions of the Lease in its entirety. Except as otherwise amended by this Amendment, all other provisions of the Lease are unmodified hereby.

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

IN WITNESS WHEREOF, each of the parties hereto have caused this Amendment to Lease to be duly executed as of the day and year first above written.

LANDLORD:

TENANT:

KILROY REALTY, L.P.
a Delaware limited partnership

INTUIT INC.,
a Delaware corporation

By: Kilroy Realty Corporation,
a Maryland corporation
Its General Partner

By: /s/ GREG SANTORA
Name: Greg Santora
Its: Chief Financial Officer &
Vice President of Finance &
Corporate Services

By: [SIG]

Name:

Its:

EXHIBIT A

[DIAGRAM]
[] WEST ELEVATION (ENTRY)

[DIAGRAM]
[] EAST ELEVATION (FREEWAY)

[DIAGRAM]
[] NORTH ELEVATION

[DIAGRAM]
[] SOUTH ELEVATION

[MAP]

SITE PLAN "A"
INTUIT PHASE II
OUTLINE SPECIFICATIONS

INTUIT EXPANSION
AT
6220 GREENWICH DRIVE
SAN DIEGO, CALIFORNIA

SHELL BUILDING & SITEWORK

MARCH 27, 1997

KILROY REALTY CORPORATION
4365 Executive Drive, Suite 850
San Diego, California 92121
PROJECT DATA

PROJECT: INTUIT, INC.

LOCATION: 6220 Greenwich Drive
San Diego, California

DATE: March 27, 1997

- 1. Construction Type V 1 Hour - Tilt Up Concrete with Glass Curtainwall
- 2. Number of Buildings One (1)
- 3. Number of Stories Three (3)

- | | |
|-------------------------------|--|
| 4. Use | Office, Data Center |
| 5. Use Zone | M-IP #87-0765 |
| 6. Square Footage
(Approx) | 1st Floor 24,500
2nd Floor 23,000
3rd Floor 23,500

Total 71,000 |
| 7. Estimated Site Area | 11.63 acres (506,646 sq. ft.) incl. SDG&E easement |
| 8. Estimated Site Coverage | 41.8% (Both Phases) |
| 9. Parking Provided | Per plans |
| 10. Trash Dumpsters | Provide (1) trash enclosure for two standard
(4' x 7') trash bins. |
| 11. Mechanical Enclosure | Expand existing enclosure to house total of (2)
generators. |
| 12. Floor-to-Floor Height | 15'-0" |
| 13. Ceiling Height | 9'-0" office area
8'-0" office area |
| 14. Panel Height | 48' to parapet |
| 15. Drive Aisle Widths | 24' Minimum, 26' Fire Lanes |
| 16. Fire Sprinkling | Fully Fire Sprinklered to density of .15 over the
most remote 1,500 s.f. of office area. Data Center
fire suppression by Tenant. |

- | | |
|----------------|--|
| 17. Skylights | 1
Provide total of four (4) 8' x 8' acrylic dome
Skylights. Any additional skylights shall be included
within the Tenant Improvement Allowance. |
| 18. Electrical | 277/480 Volt, 2500 AMP, 3 phase, 4 wire |

DESCRIPTION: The project consists of (1) three-story office building totaling 71,000 gross square feet. All site improvements, shell building, etc. shall be part of this package.

SCOPE: All building and site improvements shall be complete in every respect as defined by, but not limited to, the content of the schematic drawings and outline specifications.

CODES: The building shall be Type V, 1 hour-rated, B occupancy. All construction shall conform to local and state codes and regulations in effect at the time of construction. All placement of concrete, reinforcing steel in masonry units and/or concrete and all field weld plates and field welding shall be inspected by an independent testing laboratory.

DIVISION 1 GENERAL REQUIREMENTS

All work shall be in conformance with all applicable codes and regulations. Contractor shall be responsible for coordination of all work to be performed and for conformance to the contract documents.

DIVISION 2 SITEWORK

- | | |
|----------------|---|
| Demolition | Demo and remove existing paving and landscape improvements as required for the new development. |
| Earthwork | Provide all grading and reshaping of existing site as required to achieve conformance with new finish grade elevations. |
| Site Utilities | Provide all sewer, gas, water, storm drain, electrical, telephone and cable television services as required stubbed inside building. |
| Irrigation | All landscaped areas to be fully irrigated and operated by a central automatic controller. Provide planter drainage to comply per minimum City of San Diego design guideline standards. |
| Landscaping | Provide plant material and soil amendments per City of San Diego guideline standards and in accordance with the landscape site plan and enhanced landscape plan (revised 1/28/98) approved by |

the University Community Planning Group.

Enhanced Concrete Paving Provide 5,000 sf integral color, 7" nominal thickness, un-reinforced, 3,250 psi concrete slab over 8 1/2" Class II base at drive aisle between building entrances.

2

Enhanced Architectural Paving Provide 4,000 sf integral color, 4" nominal thickness enhanced paving over natural grade with combination of broom finish and slate tile insets at main building entrance to match existing building. All other walkways to be natural color concrete with broom finish. All enhanced paving to be sealed.

Asphalt Concrete Paving Asphalt concrete paving over Class II crushed aggregate base minimum thickness to be 2 1/2" A.C. over 6" base at parking; 2 1/2" A.C. over 8 1/2" base at drives as specified per soils report. Provide sand seal finish.

Curb & Mow Strips All curb and gutters shall be constructed in accordance to City of San Diego Standards.

Seatwalls Provide two cast-in-place concrete seatwalls to match existing at main entrance.

Flag Poles Provide two (2) 40' tall flagpoles complete with flags.

DIVISION 3 CONCRETE

Foundations Continuous grade beam and pad footings of reinforced concrete below grade for columns and concrete panels in accordance with the soils report.

First Floor Slab-on-grade minimum 4 1/2" thick 3000 p.s.i. concrete slab on grade, reinforced with #3 bars at 18" o.c., over 2" sand. Include 6 mil visqueen under slab areas.

Second/Third Slab 2" thick lightweight structural concrete over metal decking.

Walls Natural color, 7 1/2" minimum thickness reinforced concrete tilt-up panels with 3/4" deep recesses and reveals. Thickness as determined by the structural engineer. All exterior surfaces to be painted to match existing building.

Trash Enclosures 6'-0" high tilt-up concrete with finish to match building. Enclosure will provide for a total of 2 trash bins located per plan.

DIVISION 4 MASONRY

Screen Walls Construct 675' long x 6' high non-load bearing masonry screen wall along south property line. Provide two coat plaster finish on both sides. Color by Architect.

Mechanical Enclosure Expand existing 9' high mechanical enclosure to house additional generator. Construct enclosure with 8x8x16 masonry block with plaster finish. Paint to match.

DIVISION 5 METALS

Columns 8" steel columns, (26'x28' bay spacing) base plates and connections as determined by the structural engineer.

3

Roof Framing All major roof framing to consist of wide flange steel girders (52' x 56' bay spacing) and open web steel bar joists over 20 gauge metal decking. Provide 1 hour rating.

Provide \$25,000 allowance for structural roof framing to support (2) 80 ton VAV rooftop units. Additional support framing and headouts for mechanical included in Tenant Improvement Allowance.

Second Floor Framing Second floor framing to consist of open web steel bar joists over 20 gauge metal decking. Provide 1 hour rating. Floor loading provided as follows:

80 psf live load
20 psf partition load

Additional live loading will be included in Tenant Improvement Allowance.

Exit Stairs Provide two (2) steel stairs with concrete poured pan

treads. Use 1 1/2" dia. Pipe handrails on both sides of stairs.

Lobby Stairs Provide allowance for one (1) steel poured pan monument stair extending from 1st floor to 2nd floor in main lobby complete with cable handrails (millwork included within Tenant Improvement Allowance).

Miscellaneous Concrete panels embeds, mechanical screen posts, steel roof access ladder and trash enclosures hardware will be provided under this section of work.

Architectural Railings Included in Tenant Improvement Allowance.

Wrought Iron Fencing Provide (1) 20' wide manually rolling and (1) 3' man gate at emergency access drive to Maynard Street.

Pre-formed Metal Siding Provide 22 gauge galvanized steel siding with ribbed pattern P-13 by Curoco or equal for enclosure gate covering.

Mechanical Roof Screen Utilize main entrance barrel vault as mechanical enclosure to house (2) 80 ton VAV units. Screen to be finished with pre-finished 24 gauge standing seam metal panels with custom Xynar finish.

DIVISION 6 WOOD AND PLASTICS

Rough Carpentry All wood-framing and bracing shall conform to applicable requirements for lumber grading as specified in West Coast Lumber Inspection Bureau Grading and Dressing Rule No. 16, the Western Wood Products Association, and the American Plywood Association. In addition to complying with applicable codes and regulation, comply with pertinent recommendations contained in 1994 Edition UBC Chapter 25.

4

Finish Carpentry All finish carpentry shall conform to the applicable requirements for "Custom Grade" of the Manual of Millwork of the Woodwork Institute of California, the West Coast Lumberman's Association Grading and Dressing Rules No. 16 the Western Wood Products Association, The National Hardwood Lumber Association and The American Plywood Association.

All casework and millwork within the facility is included in Tenant improvement Allowance.

DIVISION 7 MOISTURE AND THERMAL PROTECTION

Membrane Roofing Roof shall have a four-ply fiberglass built-up roofing system with capsheet (i.e., Manville specification 4 GLC) over perlite board over rigid foam insulation. Provide 10 year bond.

Building/Sounding & Thermal Insulation Included in Tenant Improvement Allowance.

Roof Drainage Provide internal PVC roof and overflow drains. Roof drains to connect to below grade storm drain where accessible or daylight at face of curb or building wall in loading areas. Minimum roof slope to be 1/4" per foot.

Sealants Utilize silicone base sealant at all glazing conditions. Concrete panel joints are to receive polyurethane sealant with 1" polyurethane backer rod. Sealants used in walking surfaces shall be polyurethane type. Colors to be selected by Architect.

Sheet Metal Provide all sheet metal work for the building, complete; including reglets, and counter flashing for roofing. Materials to be galvanized sheet metal, 24 gauge minimum thickness. Provide (2) stainless steel column cover at main entrance.

Skylights Provide total of four 8'-0" x 8' 0" acrylic pyramid dome skylights by Bristol Fiberlite Industries. AL-CM dual glazed, curb mounted type. All additional skylights included within the Tenant Improvement Allowance.

Entry Awning Provide one (1) pre-finished aluminum entrance awning at

secondary entry (freeway side).

DIVISION 8 DOORS AND WINDOWS

Interior Doors Included in Tenant Improvement Allowance.

Main Entrance Storefront/Doors Provide 72 l.f. of "Herculite" storefront system including four pair 3'-0" x 8'-10" x 1/2" doors.

5

Second Entrance Doors Provide a total of (6) single & (2) pair - 3' - 0" x 8' x 10" x 1-3/4" narrow stile aluminum glass doors. Frame finish to be as specified in "Aluminum Framing" below.

Steel Roll-up Doors See entrance doors above.

Hollow Metal Doors None Provided

Hardware Hardware for exterior doors included in shell building. All hardware for interior doors, security, etc. included in Tenant Improvement Allowance.

Aluminum All extruded aluminum sections shall be 2" x 4-1/2" off-set flush glazed with captured horizontal and vertical mullions. Framing system. Interior finish to be clear anodized finish. Exterior color finish to be factory applied, oven baked Duranar XL. Color to match existing building. Provide gyp. Bd. Caps where applicable to match existing building.

Glass & Glazing Glass to be provided as follows:
CurtainWall Glass above Entries; 1/4" High Performance Silver Window Wall Glass; 1/4" High Performance Green
Lobby/Secondary Entry Glass: 1/2" clear "Herculite" system

Note: Provide laminated glazing along north, south and east (freeway) elevations as apart of shell building. West elevation and secondary entry is single-glazed.

DIVISION 9 FINISHES

Carpeting Included in Tenant Improvement Allowance.

Vinyl Flooring/ESD Included in Tenant Improvement Allowance.

Ceramic Tile Included in Tenant Improvement Allowance.

Stone Veneer Insets Provide "Arizona Flagstone" stone veneer at main entrance pilasters to match Existing building. Provide slate insets in hardscape at main entrance and driveway.

Painting Provide elastomeric paint on all portions of exterior concrete walls as indicated on the drawings; enamel paint on exterior steel surfaces, metal doors and frames to receive paint; Primer + costs at exterior. Color to match existing building. All interior painting included in Tenant Improvement Allowance.

Meta Framing & Furring Steel studs shall be 16, 20 and 25 gauge as indicated on drawings or required. Drywall fuming channels shall be 25 gauge "hat" sections. Backing plates shall be 1/8" steel of proper size to accommodate fastenings and shall be welded to 20 gauge steel studs. See drawings for specific size and locations.

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All restrooms, shafts and lobby core improvements included in Tenant Improvement Allowance.

Gypsum & Drywall Provide gypsum wallboard at designated locations shown. Board thickness to be 1/2" at vertical and 1/2" at horizontal surface applications. In areas requiring fire ratings, wall board shall be 5/8" "Type X". In areas subject to moisture, use water resistant (WR) gypsum board.

Elevator shaft, pump room and electrical/tel. Rooms included in shell building. Stair and mechanical shafts/enclosures included in Tenant Improvement Allowance.

Exterior Soffits Exterior soffits at main and secondary entrances to be constructed of pre-finished aluminum panels (see Division 7 "Awnings")

Acoustical Ceilings Included in Tenant Improvement Allowance.

DIVISION 10 SPECIALTIES

Toilet Accessories Included in Tenant Improvement Allowance.

Toilet Partitions Included in Tenant Improvement Allowance.

Computer Raised Flooring Provided by Tenant

Interior Signage Provided by Tenant

Exterior Signage Provide allowance of \$20,000 for monument sign and lighting.

Fire Extinguishers Provide as required by code for shell building. All others included in Tenant Improvement Allowance.

DIVISION 11 EQUIPMENT

Kitchen Equipment All kitchen equipment and related food preparation appliances required to be provided by the Tenant.

Athletic Equipment All athletic and recreational equipment to be provided by the Tenant

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Projection Screens Included in Tenant Improvement Allowance.

Playground (If any) Provided by Tenant.

DIVISION 12 FURNISHINGS

Window Coverings Included in Tenant Improvement Allowance.

Furnishings All lab work stations, desks, tables, chairs, whiteboards, etc. and all other F, F & E to be provided by the Tenant.

DIVISION 13 SPECIAL CONSTRUCTION

Not Applicable

DIVISION 14 CONVEYING SYSTEMS

Elevators Provide total of one (1) 2500 lb. capacity, 2-stop hydraulic passenger elevator located in main lobby, complete with standard cab finishes. Upgraded cab finishes included in Tenant Improvement Allowance.

DIVISION 15 MECHANICAL

Shell Plumbing Provide water stubbed to within five (5) feet of building and one sewer lateral extending below entire length of building slab as a part of the Shell building.

T.I. Plumbing Included in Tenant Improvement Allowance.

Fire Protection System Provide on-site hydrants as required by local fire jurisdiction. Entire building to be fully Fire Sprinklered to density of .15 over the most remote 1,500 s.f. of office area.

Gas Service Provide gas service stub to building.

Heating, Ventilating & Air Conditioning Entire HVAC system for building and data center included within the Tenant Improvement Allowance. The mechanical system proposed is a rooftop package VAV system complete with ducted supply and return air plenum for the entire office Area. The Data Center will be conditioned via a split system by "Data-Air", "Leibert" or equivalent.

Main Service	Main service to each building to be 277/480 volt, 3 phase 4 wire (2500A) including underground pull and meter section located within an electric room as a part of the Shell Building.
Cable Trays	Cable Trays for data and communication routing to be included within the Tenant Improvement Allowance.
Telephone & Data Comm.	All telephone and data communication cabling to be provided by the Tenant. Two (2) 4" conduit has been installed between buildings.
Installation	All shell electrical work to be in accordance with applicable codes. All necessary outlets, conduit, wiring, trenching and concrete encasing shall be provided as required.
Interior Lighting	Included in Tenant Improvement Allowance.
UPS System	A UPS system (if required) to be provided by the Tenant or included in the Tenant Improvement Allowance.
Security System	Tenant to provide all necessary devices, conduit, wiring, access door hardware, etc. for installation, operation and monitoring of a security system.
Fire Suppression @Computer Room	Special fire suppression system (i.e., Energen, etc.) to be provided by the Tenant.
Exterior Lighting	Provide low pressure sodium pole mounted light fixtures on 24" diameter concrete bases as required throughout surface parking areas within the SDG&E easement and surrounding the proposed building. Provide bollard-type lighting within parking areas along the south property line adjacent to the residences as needed to provide one foot candle average illumination as required by City ordinance. Bollard lighting to be shielded from residences. Provide upright/downlight fixtures at walkways and landscape areas adjacent to entries. Provide total of (4) concrete light bollard fixtures at main entrance to match existing.

END OF OUTLINE SPECIFICATIONS

INTUIT INC.
 COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
 IN THOUSANDS, EXCEPT RATIOS

<TABLE>
 <CAPTION>

	YEAR ENDED SEPT. 30,	TEN MONTHS ENDED JULY 31,	YEAR ENDED JULY 31,		
-----	1993	1994	1995	1996	1997
-----	-----	-----	-----	-----	-----
1998					
<S>	<C>	<C>	<C>	<C>	<C>
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Earnings:					
Income (loss) from continuing operations					
before income taxes	\$ 14,770	\$ (181,493)	\$ (20,000)	\$ 1,870	\$ 9,809
\$(19,823)					
Fixed charges	1,056	934	3,278	4,828	5,395
5,315					
-----	-----	-----	-----	-----	-----
Total	\$ 15,826	\$ (180,559)	\$ (16,722)	\$ 6,698	\$ 15,204
\$(14,508)					
=====	=====	=====	=====	=====	=====
Fixed Charges:					
Interest expense	\$ 79	\$ 8	\$ 232	\$ 305	\$ 652
\$ 432					
Portion of rent deemed to be interest	977	926	3,046	4,523	4,743
4,883					
-----	-----	-----	-----	-----	-----
Total	\$ 1,056	\$ 934	\$ 3,278	\$ 4,828	\$ 5,395
\$ 5,315					
=====	=====	=====	=====	=====	=====
Ratio of earnings to fixed charges	14.99	(1)	(2)	(3)	2.82
(4)					
=====	=====	=====	=====	=====	=====

</TABLE>

- (1) Earnings were inadequate to cover fixed charges by \$181,493.
- (2) Earnings were inadequate to cover fixed charges by \$20,000.
- (3) Earnings were inadequate to cover fixed charges by \$1,870.
- (4) Earnings were inadequate to cover fixed charges by \$19,823.

LIST OF REGISTRANT'S SUBSIDIARIES

<TABLE>		
<CAPTION>	Entity	State/Country of Incorporation
	-----	-----
<S>		<C>
	Greenco Subsidiary Corporation	Delaware
	Intuit Insurance Services Inc.	Virginia
	Intuit Lender Services, Inc.	Delaware
	Lacerte Educational Services, Inc.	Delaware
	Lacerte Software Corporation	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 Nos. 33-59458, 33-73222, 33-95040, 333-06889, 333-14715, 333-16827, 333-16829, 333-20361, 333-45287, 333-45285 and 333-45277; Form S-3 Nos. 33-50417 and 333-63739; and Form S-4 No. 33-99644) pertaining to the Intuit Inc. 1993 Equity Incentive Plan, the 1996 Directors Stock Option Plan, the 1996 Employee Stock Purchase Plan, other Intuit Inc. equity compensation plans and the Common Stock, Preferred Stock and/or Debt Securities of Intuit Inc., of our report dated August 19, 1998, 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, 1998.

Palo Alto, California
October 5, 1998

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<F2>DILUTED EPS AS DEFINED BY FAS 128.	
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