INTUIT INC
Form 10-Q
February 29, 2008

Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

þ **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended January 31, 2008

OR

o **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the transition period from _____ to _____.

Commission File Number 0-21180

INTUIT INC.

(Exact name of registrant as specified in its charter)

Delaware	**77-0034661**
(State of incorporation)	*(IRS employer identification no.)*

2700 Coast Avenue, Mountain View, CA 94043
(Address of principal executive offices)

(650) 944-6000
(Registrant s telephone number, including area code)

Indicate by 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 þ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o	Smaller reporting company o
		(Do not check if a smaller reporting company)	

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No þ

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date. 327,730,691 shares of Common Stock, $0.01 par value, were outstanding at February 22, 2008.

INTUIT INC.
FORM 10-Q
INDEX

		Page Number
PART I	**FINANCIAL INFORMATION**	
ITEM 1:	Financial Statements	
	Condensed Consolidated Statements of Operations for the three and six months ended January 31, 2008 and 2007	3
	Condensed Consolidated Balance Sheets at January 31, 2008 and July 31, 2007	4
	Condensed Consolidated Statements of Stockholders Equity for the six months ended January 31, 2008 and 2007	5
	Condensed Consolidated Statements of Cash Flows for the three and six months ended January 31, 2008 and 2007	6
	Notes to Condensed Consolidated Financial Statements	7
ITEM 2:	Management s Discussion and Analysis of Financial Condition and Results of Operations	24
ITEM 3:	Quantitative and Qualitative Disclosures about Market Risk	39
ITEM 4:	Controls and Procedures	40
PART II	**OTHER INFORMATION**	
ITEM 1:	Legal Proceedings	41
ITEM 1A:	Risk Factors	42
ITEM 2:	Unregistered Sales of Equity Securities and Use of Proceeds	45
ITEM 4:	Submission of Matters to a Vote of Security Holders	46
ITEM 6:	Exhibits	47
	Signatures	48

EXHIBIT 31.01
EXHIBIT 31.02
EXHIBIT 32.01
EXHIBIT 32.02

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Table of Contents

PART I
ITEM 1
FINANCIAL STATEMENTS

INTUIT INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts; unaudited)	Three Months Ended January 31, 2008	Three Months Ended January 31, 2007	Six Months Ended January 31, 2008	Six Months Ended January 31, 2007
Net revenue:				
Product	$ 540,790	$ 546,064	$ 759,410	$ 756,180
Service and other	294,084	204,573	520,402	344,950
Total net revenue	834,874	750,637	1,279,812	1,101,130
Costs and expenses:				
Cost of revenue:				
Cost of product revenue	56,880	66,079	90,627	101,470
Cost of service and other revenue	102,838	65,375	200,292	128,191
Amortization of purchased intangible assets	13,299	2,304	26,113	4,333
Selling and marketing	263,705	219,530	433,364	373,048
Research and development	149,767	113,048	299,103	230,414
General and administrative	66,672	68,215	143,787	144,229
Acquisition-related charges	8,083	1,369	16,095	3,247
Total costs and expenses	661,244	535,920	1,209,381	984,932
Operating income from continuing operations	173,630	214,717	70,431	116,198
Interest expense	(13,510)		(27,559)	
Interest and other income	4,925	11,027	22,116	21,315
Gains on marketable equity securities and other investments, net			713	1,221
Gain on sale of outsourced payroll assets	14,004		37,955	
Income from continuing operations before income taxes	179,049	225,744	103,656	138,734
Income tax provision	62,555	79,829	34,227	49,804
Minority interest expense, net of tax	492	335	998	550
Net income from continuing operations	116,002	145,580	68,431	88,380
Net income (loss) from discontinued operations	(755)	(218)	26,012	(1,948)
Net income	$ 115,247	$ 145,362	$ 94,443	$ 86,432
Basic net income per share from continuing operations	$ 0.35	$ 0.42	$ 0.20	$ 0.26
Basic net income (loss) per share from discontinued operations			0.08	(0.01)

Basic net income per share	$ 0.35	$ 0.42	$ 0.28	$ 0.25
Shares used in basic per share calculations	331,139	347,185	334,362	346,700
Diluted net income per share from continuing operations	$ 0.34	$ 0.40	$ 0.20	$ 0.25
Diluted net income (loss) per share from discontinued operations			0.07	(0.01)
Diluted net income per share	$ 0.34	$ 0.40	$ 0.27	$ 0.24
Shares used in diluted per share calculations	342,751	360,573	346,014	360,654

See accompanying notes.

Table of Contents

INTUIT INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands; unaudited)	January 31, 2008	July 31, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	$ 230,148	$ 255,201
Investments	607,029	1,048,470
Accounts receivable, net	372,385	131,691
Income taxes receivable	4,178	54,178
Deferred income taxes	86,653	84,682
Prepaid expenses and other current assets	75,721	54,854
Current assets of discontinued operations		8,515
Current assets before funds held for payroll customers	1,376,114	1,637,591
Funds held for payroll customers	533,180	314,341
Total current assets	1,909,294	1,951,932
Property and equipment, net	384,700	298,396
Goodwill	1,628,512	1,517,036
Purchased intangible assets, net	272,955	292,884
Long-term deferred income taxes	97,996	72,066
Loans to officers	8,225	8,865
Other assets	70,174	58,636
Long-term assets of discontinued operations		52,211
Total assets	$ 4,371,856	$ 4,252,026
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 144,169	$ 119,799
Accrued compensation and related liabilities	148,595	192,286
Deferred revenue	336,627	313,753
Income taxes payable	19,131	33,278
Other current liabilities	245,261	171,650
Current liabilities of discontinued operations		15,002
Current liabilities before payroll customer fund deposits	893,783	845,768
Payroll customer fund deposits	533,180	314,341
Total current liabilities	1,426,963	1,160,109
Long-term debt	997,906	997,819
Other long-term obligations	100,527	57,756
Total liabilities	2,525,396	2,215,684

Commitments and contingencies		
Minority interest	3,938	1,329
Stockholders equity:		
Preferred stock		
Common stock and additional paid-in capital	2,339,360	2,251,146
Treasury stock, at cost	(2,574,309)	(2,207,114)
Accumulated other comprehensive income	9,169	6,096
Retained earnings	2,068,302	1,984,885
Total stockholders equity	1,842,522	2,035,013
Total liabilities and stockholders equity	$ 4,371,856	$ 4,252,026

See accompanying notes.

Table of Contents

INTUIT INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

(Dollars in thousands; unaudited)	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Treasury Stock	Accumulated Other Comprehensive Income	Retained Earnings	Total Stockholders Equity
Balance at July 31, 2007	**339,157,302**	**$ 3,391**	**$ 2,247,755**	**$ (2,207,114)**	**$ 6,096**	**$ 1,984,885**	**$ 2,035,013**
Components of comprehensive income:							
Net income						94,443	94,443
Other comprehensive income, net of tax					3,073		3,073
Comprehensive net income							97,516
Issuance of common stock under employee stock plans	6,023,193	60		127,705		(6,088)	121,677
Restricted stock units released, net of taxes	255,853	3	(6,333)	4,935		(4,938)	(6,333
Issuance of restricted stock units pursuant to Management Stock Purchase Plan			2,284				2,284
Assumed vested stock options from purchase acquisitions			11,096				11,096
Stock repurchases under stock repurchase programs	(16,345,474)	(163)		(499,835)			(499,998
Tax benefit from employee stock option transactions			25,032				25,032
Share-based compensation (1)			56,235				56,235
Balance at January 31, 2008	**329,090,874**	**$ 3,291**	**$ 2,336,069**	**$ (2,574,309)**	**$ 9,169**	**$ 2,068,302**	**$ 1,842,522**

(Dollars in thousands; unaudited)	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Treasury Stock	Accumulated Other Comprehensive Income	Retained Earnings	Total Stockholder Equity
Balance at July 31, 2006	**344,170,779**	**$ 3,442**	**$ 2,089,472**	**$ (1,944,036)**	**$ 1,084**	**$ 1,588,124**	**$ 1,738,086**
Components of comprehensive income:							
Net income						86,432	86,432
Other comprehensive income, net of tax					12,706		12,706
Comprehensive net income							99,138
Issuance of common stock under employee stock plans	6,516,411	65	10,202	134,174		(20,244)	124,197
Restricted stock units released, net of taxes	172			4		(4)	
Stock repurchases under stock repurchase programs	(6,660,000)	(67)		(205,306)			(205,373
			29,430				29,430

ax benefit from employee stock ption transactions							
hare-based compensation (2)			38,171				38,171
alance at January 31, 2007	**344,027,362**	**$ 3,440**	**$ 2,167,275**	**$ (2,015,164)**	**$ 13,790**	**$ 1,654,308**	**$ 1,823,649**

(1) Includes $56,189 for continuing operations and $46 for Intuit Distribution Management Solutions discontinued operations.

(2) Includes $37,653 for continuing operations and $518 for Intuit Distribution Management Solutions discontinued operations.

See accompanying notes.

Table of Contents

INTUIT INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended		Six Months Ended	
(In thousands; unaudited)	**January 31, 2008**	**January 31, 2007**	**January 31, 2008**	**January 31, 2007**
Cash flows from operating activities:				
Net income (1)	$ 115,247	$ 145,362	$ 94,443	$ 86,432
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	27,900	21,061	54,122	43,336
Acquisition-related charges	8,083	2,334	16,095	5,176
Amortization of purchased intangible assets	13,299	2,583	26,113	4,891
Amortization of purchased intangible assets to cost of service and other revenue	2,078	2,734	3,900	5,305
Share-based compensation	29,534	19,312	56,235	38,171
Amortization of premiums and discounts on available-for-sale debt securities	753	1,071	1,610	1,961
Net gains on marketable equity securities and other investments			(713)	(1,221)
Pre-tax gain on sale of outsourced payroll assets	(14,004)		(37,955)	
Pre-tax gain on sale of IDMS (1)			(45,667)	
Deferred income taxes	7,313	(6,552)	14,560	(9,399)
Tax benefit from share-based compensation plans	13,232	12,634	25,032	29,430
Excess tax benefit from share-based compensation plans	(7,506)	(7,967)	(15,761)	(16,720)
Other	2,555	394	2,039	743
Subtotal	198,484	192,966	194,053	188,105
Changes in operating assets and liabilities:				
Accounts receivable	(226,467)	(215,488)	(236,938)	(212,884)
Prepaid expenses, taxes and other assets	55,779	66,985	21,093	8,727
Accounts payable	(25,623)	22,619	10,375	48,970
Accrued compensation and related liabilities	42,871	47,436	(49,805)	(33,726)
Deferred revenue	39,497	19,052	23,800	2,273
Income taxes payable	11,855	18,415	(14,338)	2,702
Other liabilities	102,511	91,152	89,304	102,264
Total changes in operating assets and liabilities	423	50,171	(156,509)	(81,674)
Net cash provided by operating activities (1)	**198,907**	**243,137**	**37,544**	**106,431**
Cash flows from investing activities:				
Purchases of available-for-sale debt securities	(159,201)	(479,703)	(448,691)	(880,578)
Liquidation of available-for-sale debt securities	368,111	495,550	717,617	985,747
Maturity of available-for-sale debt securities	43,335	26,784	174,335	61,614

Proceeds from the sale of marketable equity securities				858
Net change in funds held for payroll customers money market funds and other cash equivalents	(257,934)	24,438	(218,839)	(54,475)
Purchases of property and equipment	(56,644)	(23,683)	(121,919)	(52,906)
Change in other assets	370	(2,004)	(6,470)	(6,682)
Net change in payroll customer fund deposits	257,934	(24,438)	218,839	54,475
Acquisitions of businesses and intangible assets, net of cash acquired	(131,596)	(1,991)	(134,071)	(61,993)
Cash received from acquirer of outsourced payroll assets	7,281		27,303	
Cash received from acquirer of IDMS (1)			97,147	
Net cash provided by investing activities of continuing operations	**71,656**	**14,953**	**305,251**	**46,060**
Net cash provided by investing activities of discontinued operations		20,989		20,989
Net cash provided by investing activities	**71,656**	**35,942**	**305,251**	**67,049**
Cash flows from financing activities:				
Net proceeds from issuance of common stock under stock plans	64,145	41,299	115,344	124,197
Purchase of treasury stock	(250,000)	(205,373)	(499,998)	(205,373)
Excess tax benefit from share-based compensation plans	7,506	7,967	15,761	16,720
Issuance of restricted stock units pursuant to Management Stock Purchase Plan			2,284	
Other	(4,701)	(874)	(3,595)	(1,315)
Net cash used in financing activities	**(183,050)**	**(156,981)**	**(370,204)**	**(65,771)**
Effect of exchange rates on cash and cash equivalents	(3,433)	(1,844)	2,356	(982)
Net increase (decrease) in cash and cash equivalents	**84,080**	**120,254**	**(25,053)**	**106,727**
Cash and cash equivalents at beginning of period	146,068	166,074	255,201	179,601
Cash and cash equivalents at end of period	**$ 230,148**	**$ 286,328**	**$ 230,148**	**$ 286,328**

(1) Because the operating cash flows of our Intuit Distribution Management Solutions (IDMS) discontinued operations were not

material for any period presented, we have not segregated them from continuing operations on these statements of cash flows. We have presented the effect of the gain on disposal of IDMS on the statement of cash flows for the six months ended January 31, 2008. See Note 5 to the financial statements.

See accompanying notes.

Table of Contents

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

1. Description of Business and Summary of Significant Accounting Policies

Description of Business

Intuit Inc. provides business and financial management solutions for small and medium sized businesses, financial institutions, consumers, and accounting professionals. Our flagship products and services, including QuickBooks, Quicken and TurboTax software, simplify small business management and payroll processing, personal finance, and tax preparation and filing. Lacerte and ProSeries are Intuit s tax preparation software suites for professional accountants. Our financial institutions division, anchored by Digital Insight Corporation, provides on-demand banking services to help banks and credit unions serve businesses and consumers. Founded in 1983 and headquartered in Mountain View, California, we sell our products and services primarily in the United States.

Basis of Presentation

The condensed consolidated financial statements include the financial statements of Intuit and its wholly owned subsidiaries. We have eliminated all significant intercompany balances and transactions in consolidation. In February 2007 we completed the acquisition of Digital Insight Corporation for a total purchase price of approximately $1.34 billion. Accordingly, we have included Digital Insight s results of operations in our consolidated results of operations from the date of acquisition. See Note 4. The condensed consolidated financial statements also include the financial position, results of operations and cash flows of Superior Bankcard Services, LLC (SBS), an entity that acquires merchant accounts for our Innovative Merchant Solutions business. We are allocated 51% of the earnings and losses of this entity and 100% of the losses in excess of the minority interest capital balances. We therefore eliminate the portion of the SBS financial results that pertain to the minority interests on a separate line in our statements of operations and on our balance sheets.

We have reclassified certain amounts previously reported in our financial statements to conform to the current presentation, including amounts related to discontinued operations and reportable segments.

We have included all normal recurring adjustments and the adjustments for discontinued operations that we considered necessary to give a fair presentation of our operating results for the periods presented. These condensed consolidated financial statements and accompanying notes should be read together with the audited consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended July 31, 2007. Results for the three and six months ended January 31, 2008 do not necessarily indicate the results we expect for the fiscal year ending July 31, 2008 or any other future period.

Seasonality

Our QuickBooks, Consumer Tax and Professional Tax businesses are highly seasonal. Some of our other offerings are also seasonal, but to a lesser extent. Revenue from many of our small business software products, including QuickBooks, tends to be at its peak around calendar year end, although the timing of new product releases or changes in our offerings can materially shift revenue between quarters. Sales of income tax preparation products and services are heavily concentrated in the period from November through April. These seasonal patterns mean that our total net revenue is usually highest during our second quarter ending January 31 and third quarter ending April 30. We typically report losses in our first quarter ending October 31 and fourth quarter ending July 31, when revenue from our tax businesses is minimal while operating expenses continue at relatively consistent levels.

Computation of Net Income (Loss) Per Share

We compute basic net income or loss per share using the weighted average number of common shares outstanding during the period. We compute diluted net income per share using the weighted average number of common shares and dilutive potential common shares outstanding during the period. Dilutive potential common shares consist of the shares issuable upon the exercise of stock options and upon the vesting of restricted stock units (RSUs) under the treasury stock method. In loss periods, basic net loss per share and diluted net loss per share are identical since the effect of potential common shares is anti-dilutive and therefore excluded.

Table of Contents

We include stock options with combined exercise prices and unrecognized compensation expense that are less than the average market price for our common stock, and RSUs with unrecognized compensation expense that is less than the average market price for our common stock, in the calculation of diluted net income per share. We exclude stock options with combined exercise prices and unrecognized compensation expense that are greater than the average market price for our common stock, and RSUs with unrecognized compensation expense that is greater than the average market price for our common stock, from the calculation of diluted net income per share because their effect is anti-dilutive. Under the treasury stock method, the amount that must be paid to exercise stock options, the amount of compensation expense for future service that we have not yet recognized for stock options and RSUs, and the amount of tax benefits that will be recorded in additional paid-in capital when the awards become deductible are assumed to be used to repurchase shares.

The following table presents the composition of shares used in the computation of basic and diluted net loss per share for the periods indicated.

	Three Months Ended		Six Months Ended	
(In thousands, except per share amounts)	January 31, 2008	January 31, 2007	January 31, 2008	January 31, 2007
Numerator:				
Net income from continuing operations	$ 116,002	$ 145,580	$ 68,431	$ 88,380
Net income (loss) from discontinued operations	(755)	(218)	26,012	(1,948)
Net income	$ 115,247	$ 145,362	$ 94,443	$ 86,432
Denominator:				
Shares used in basic per share amounts:				
Weighted average common shares outstanding	331,139	347,185	334,362	346,700
Shares used in diluted per share amounts:				
Weighted average common shares outstanding	331,139	347,185	334,362	346,700
Dilutive common equivalent shares from stock options and restricted stock awards	11,612	13,388	11,652	13,954
Dilutive weighted average common shares outstanding	342,751	360,573	346,014	360,654
Basic and diluted net income per share:				
Basic net income per share from continuing operations	$ 0.35	$ 0.42	$ 0.20	$ 0.26
Basic net income (loss) per share from discontinued operations			0.08	(0.01)
Basic net income per share	$ 0.35	$ 0.42	$ 0.28	$ 0.25
	$ 0.34	$ 0.40	$ 0.20	$ 0.25

Diluted net income per share from continuing operations				
Diluted net income (loss) per share from discontinued operations			0.07	(0.01)
Diluted net income per share	$ 0.34	$ 0.40	$ 0.27	$ 0.24
Weighted average stock options and restricted stock awards excluded from calculation due to anti-dilutive effect:				
Stock options with combined exercise prices and unrecognized compensation expense that were greater than the average market price for the common stock during the period	17,556	9,805	17,852	9,697

Table of Contents

Significant Customers

No customer accounted for 10% or more of total net revenue in the three or six months ended January 31, 2008 or 2007. Due to the seasonality of our business, at January 31, 2008 the account of one retail customer represented approximately 18% of total accounts receivable and the account of another retail customer represented approximately 14% of total accounts receivable. No customer accounted for 10% or more of total accounts receivable at July 31, 2007.

Recent Accounting Pronouncements

SFAS 157, *Fair Value Measurements*

In September 2006 the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements.* SFAS 157 provides enhanced guidance for using fair value to measure assets and liabilities. The standard also responds to investors requests for expanded information about the extent to which companies measure assets and liabilities at fair value, the information used to measure fair value and the effect of fair value measurements on earnings. SFAS 157 applies whenever other standards require or permit assets or liabilities to be measured at fair value. This standard does not expand the use of fair value in any new circumstances. SFAS 157 is effective for fiscal years beginning after November 15, 2007, which means that it will be effective for our fiscal year beginning August 1, 2008. In February 2008 the FASB issued a Staff Position that partially defers the effective date of SFAS 157 for one year for non-financial assets and liabilities, except for items that are recognized or disclosed at fair value in an entity s financial statements on a recurring basis (at least annually). We are in the process of evaluating this standard and therefore have not yet determined the impact that the adoption of SFAS 157 will have on our financial position, results of operations or cash flows.

SFAS 159, *The Fair Value Option for Financial Assets and Financial Liabilities*

In February 2007 the FASB issued SFAS 159, *The Fair Value Option for Financial Assets and Financial Liabilities.* SFAS 159 provides companies with an option to report selected financial assets and liabilities at fair value. The standard s objective is to reduce both complexity in accounting for financial instruments and the volatility in earnings caused by measuring related assets and liabilities differently. The standard requires companies to provide additional information that will help investors and other users of financial statements to more easily understand the effect of the company s choice to use fair value on its earnings. It also requires companies to display the fair value of those assets and liabilities for which the company has chosen to use fair value on the face of the balance sheet. The new standard does not eliminate disclosure requirements included in other accounting standards, including requirements for disclosures about fair value measurements included in SFAS 157, *Fair Value Measurements,* and SFAS 107, *Disclosures about Fair Value of Financial Instruments.* SFAS 159 is effective for fiscal years beginning after November 15, 2007, which means that it will be effective for our fiscal year beginning August 1, 2008. We are in the process of evaluating this standard and therefore have not yet determined the impact that the adoption of SFAS 159 will have on our financial position, results of operations or cash flows.

SFAS 141 (revised 2007), *Business Combinations*

In December 2007 the FASB issued SFAS 141 (revised 2007), *Business Combinations.* SFAS 141R will significantly change the accounting for business combinations in a number of areas, including the measurement of assets and liabilities acquired and the treatment of contingent consideration, contingencies, acquisition costs, in-process research and development and restructuring costs. In addition, under SFAS 141R, changes in deferred tax asset valuation allowances and acquired income tax uncertainties in a business combination after the measurement period will affect the income tax provision. SFAS 141R is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning after December 15, 2008, which means that it will be effective for our fiscal year beginning August 1, 2009. Early adoption is prohibited. We are in the process of evaluating this standard and therefore have not yet determined the impact that the adoption of SFAS 141R will have on our financial position, results of operations or cash flows.

SFAS 160, *Noncontrolling Interests in Consolidated Financial Statements*

In December 2007 the FASB issued SFAS 160, *Noncontrolling Interests in Consolidated Financial Statements,* which establishes accounting and reporting standards for the noncontrolling (minority) interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS 160 is effective for business arrangements entered into in fiscal years beginning

on or after December 15, 2008, which means that it will be effective for our fiscal year beginning August 1, 2009. Early adoption is prohibited. We are in the process of evaluating this standard and therefore have not yet

Table of Contents

determined the impact that the adoption of SFAS 160 will have on our financial position, results of operations or cash flows.

2. Cash and Cash Equivalents, Investments and Funds Held for Payroll Customers

We consider highly liquid investments with maturities of three months or less at the date of purchase to be cash equivalents. Cash equivalents consist primarily of AAA-rated money market funds in all periods presented. Investments consist of available-for-sale investment-grade debt securities that we carry at fair value. Funds held for payroll customers consist of cash and AAA-rated money market funds. Except for direct obligations of the United States government, securities issued by agencies of the United States government, and money market or cash management funds, we diversify our investments by limiting our holdings with any individual issuer.

The following table summarizes our cash and cash equivalents, investments and funds held for payroll customers by balance sheet classification at the dates indicated.

	January 31, 2008		July 31, 2007	
(In thousands)	**Cost**	**Fair Value**	**Cost**	**Fair Value**
Classification on balance sheets:				
Cash and cash equivalents	$ 230,148	$ 230,148	$ 255,201	$ 255,201
Investments	603,774	607,029	1,048,643	1,048,470
Funds held for payroll customers	533,180	533,180	314,341	314,341
Total cash and cash equivalents, investments and funds held for payroll customers	$ 1,367,102	$ 1,370,357	$ 1,618,185	$ 1,618,012

The following table summarizes our cash and cash equivalents, investments and funds held for payroll customers by investment category at the dates indicated.

	January 31, 2008		July 31, 2007	
(In thousands)	**Cost**	**Fair Value**	**Cost**	**Fair Value**
Type of issue:				
Total cash and cash equivalents	$ 763,328	$ 763,328	$ 569,542	$ 569,542
Available-for-sale debt securities:				
Municipal bonds	603,774	607,029	1,043,793	1,043,620
Asset-backed securities			4,850	4,850
Total available-for-sale debt securities	603,774	607,029	1,048,643	1,048,470
Total cash and cash equivalents, investments and funds held for payroll customers	$ 1,367,102	$ 1,370,357	$ 1,618,185	$ 1,618,012

We accumulate unrealized gains and losses on our available-for-sale debt securities, net of tax, in accumulated other comprehensive income in the stockholders equity section of our balance sheets. Gross unrealized gains and losses on our available-for-sale debt securities at January 31, 2008 and July 31, 2007 were not significant. We held no available-for-sale debt securities that were in an unrealized loss position at January 31, 2008.

We include realized gains and losses on our available-for-sale debt securities in interest and other income in our statements of operations. Gross realized gains and losses on our available-for-sale debt securities for the three and six months ended January 31, 2008 and 2007 were not significant.

At January 31, 2008, we held approximately $328 million in AAA rated municipal auction rate securities that were valued at reported market prices and classified as current assets. Auction rate securities are collateralized long-term debt instruments that provide liquidity through a Dutch auction process that resets the applicable interest rate at pre-determined intervals, typically every 35 days. Beginning in February 2008, auctions failed for approximately

$140 million in par value of municipal auction rate securities we held because sell orders exceeded buy orders. When these auctions failed to clear, higher interest rates for those securities went into effect. However, the funds associated with these failed auctions will not be accessible until the issuer calls the security, a successful auction occurs, a buyer is found outside of the auction process, or the security matures. The underlying assets of the municipal auction rate securities we hold, including the securities for which auctions have failed, are generally

Table of Contents

student loans which are guaranteed by the U.S. government. We do not believe the carrying values of these municipal auction rate securities are impaired. In addition, we believe that we will be able to liquidate these investments without significant loss within the next 12 months. We are continuing to monitor the credit markets and may reclassify some or all of these securities from current assets to long-term assets in the future.

The following table summarizes our available-for-sale debt securities classified by the stated maturity date of the security.

	January 31, 2008		July 31, 2007	
(In thousands)	**Cost**	**Fair Value**	**Cost**	**Fair Value**
Due within one year	$ 87,428	$ 87,987	$ 159,564	$ 159,488
Due within two years	109,836	111,582	25,856	25,808
Due within three years			14,700	14,700
Due after three years	406,510	407,460	848,523	848,474
Total available-for-sale debt securities	$ 603,774	$ 607,029	$ 1,048,643	$ 1,048,470

Approximately 79% of our available-for-sale debt securities at January 31, 2008 had an interest reset date, put date or mandatory call date within one year.

3. Comprehensive Net Income

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

Table of Contents

The components of accumulated other comprehensive income, net of income taxes, were as follows for the periods indicated:

(In thousands)	Unrealized Gain (Loss) on Investments	Realized Gain on Derivative Instruments	Foreign Currency Translation	Total
Balance at July 31, 2007	$ (105)	$ 433	$ 5,768	$ 6,096
Unrealized gain, net of income tax provision of $1,363	2,067			2,067
Reclassification adjustment for realized gain included in net income, net of income tax benefit of $1	(1)			(1)
Amortization of realized gain on derivative instruments, net of income tax provision of $14		(21)		(21)
Translation adjustment, net of income taxes allocated of $679			1,028	1,028
Other comprehensive income	2,066	(21)	1,028	3,073
Balance at January 31, 2008	$ 1,961	$ 412	$ 6,796	$ 9,169

(In thousands)	Unrealized Gain (Loss) on Investments	Unrealized Gain on Derivative Instruments	Foreign Currency Translation	Total
Balance at July 31, 2006	$ (462)	$	$ 1,546	$ 1,084
Unrealized gain, net of income tax provision of $148	225			225
Reclassification adjustment for realized gain included in net income, net of income tax benefit	(1)			(1)
Unrealized gain on derivative instruments, net of income tax provision of $8,805		13,459		13,459
Translation adjustment, net of income taxes allocated of $641			(977)	(977)
Other comprehensive income	224	13,459	(977)	12,706
Balance at January 31, 2007	$ (238)	$ 13,459	$ 569	$ 13,790

Comprehensive net income was as follows for the periods indicated:

	Three Months Ended	Six Months Ended

(In thousands)	**January 31, 2008**	**January 31, 2007**	**January 31, 2008**	**January 31, 2007**
Net income	$ 115,247	$ 145,362	$ 94,443	$ 86,432
Other comprehensive income	458	11,991	3,073	12,706
Comprehensive net income, net of income taxes	$ 115,705	$ 157,353	$ 97,516	$ 99,138
Income tax provision netted against other comprehensive income	$ 302	$ 9,381	$ 2,027	$ 9,594

Table of Contents

4. Acquisitions

Electronic Clearing House, Inc.

On December 19, 2007 we entered into a definitive agreement to acquire Electronic Clearing House, Inc. (ECHO). Under the terms of the agreement, Intuit will pay $17.00 per share in cash for each share of ECHO common stock, including shares issuable upon exercise of options, for total consideration of approximately $131 million on a fully diluted basis. ECHO is a provider of electronic payment processing services and will become part of our Payroll and Payments segment. The transaction is subject to ECHO shareholder approval and other customary closing conditions and is expected to close during the third quarter of fiscal 2008.

Homestead Technologies Inc.

On December 18, 2007 we acquired all of the outstanding shares of Homestead Technologies Inc. (Homestead) for total consideration of approximately $170 million on a fully diluted basis. The total consideration was comprised of the purchase price of $146 million, which included the fair value of vested stock options assumed, and the $24 million fair value of unvested stock options and restricted stock units assumed. Homestead is a provider of Web site services to small businesses. We acquired Homestead as part of our strategy to help small businesses acquire and serve customers through the Internet. Homestead became part of our QuickBooks segment.

Under the purchase method of accounting we allocated the total purchase price to the tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values on the date of acquisition. We estimated the fair values with the assistance of a third party appraisal firm. The fair values assigned to identifiable intangible assets acquired were based on estimates and assumptions determined by management. We recorded the excess of purchase price over the aggregate fair values as goodwill. We allocated the purchase price using the information currently available. We may adjust the preliminary purchase price allocation after obtaining more information about asset valuations and liabilities assumed. We allocated approximately $14 million of the purchase price to tangible assets and liabilities and approximately $22 million of the purchase price to identified intangible assets. We recorded the excess purchase price of approximately $110 million as goodwill, none of which is deductible for income tax purposes. The identified intangible assets are being amortized over a weighted average life of five years.

We have included Homestead s results of operations in our consolidated results of operations from the date of acquisition. Homestead s results of operations for periods prior to the date of acquisition were not material when compared with our consolidated results of operations.

Digital Insight Corporation

We completed the acquisition of Digital Insight Corporation for a purchase price of approximately $1.34 billion on February 6, 2007. We have included Digital Insight s results of operations in our consolidated results of operations from the date of acquisition. The unaudited financial information in the table below summarizes the combined results of operations of Intuit and Digital Insight on a pro forma basis, as though the companies had been combined as of the beginning of the periods presented. The pro forma financial information is presented for informational purposes only and is not indicative of the results of operations that would have been achieved if the acquisition and the issuance of $1 billion of related senior notes had taken place at the beginning of the periods presented. The pro forma financial information also includes adjustments to share-based compensation expense for stock options assumed, adjustments to depreciation expense for acquired property and equipment, amortization charges for acquired intangible assets, adjustments to interest income, and related tax effects. The pro forma financial information for the three and six months ended January 31, 2007 combines our historical results for those periods with the historical results of Digital Insight for the three and six months ended December 31, 2006.

Table of Contents

The following table summarizes the pro forma financial information:

(In thousands)	Three Months Ended January 31, 2007 As Reported	Three Months Ended January 31, 2007 Pro Forma	Six Months Ended January 31, 2007 As Reported	Six Months Ended January 31, 2007 Pro Forma
Total net revenue	$ 750,637	$ 814,249	$ 1,101,130	$ 1,226,286
Net income from continuing operations	145,580	130,160	88,380	59,463
Net income per share from continuing operations:				
Basic	$ 0.42	$ 0.37	$ 0.26	$ 0.17
Diluted	$ 0.40	$ 0.36	$ 0.25	$ 0.16

5. Dispositions and Discontinued Operations

Intuit Distribution Management Solutions Discontinued Operations

In August 2007 we sold our Intuit Distribution Management Solutions (IDMS) business for approximately $100 million in cash and recorded a net gain on disposal of $27.5 million. The decision to sell IDMS was a result of management s desire to focus resources on Intuit s core products and services. IDMS was part of our Other Businesses segment.

In accordance with the provisions of SFAS 144, *Accounting for the Impairment or Disposal of Long-Lived Assets,* we determined that IDMS became a discontinued operation in the fourth quarter of fiscal 2007. We have therefore segregated the net assets and operating results of IDMS from continuing operations on our balance sheets and in our statements of operations for all periods prior to the sale. Assets held for sale at July 31, 2007 consisted primarily of goodwill and purchased intangible assets. Because IDMS operating cash flows were not material for any period presented, we have not segregated them from continuing operations on our statements of cash flows. We have presented the effect of the gain on disposal of IDMS on our statement of cash flows for the six months ended January 31, 2008.

Revenue and net loss from IDMS discontinued operations were $1.9 million and $0.7 million for the six months ended January 31, 2008. Revenue and net loss from IDMS discontinued operations were $12.7 million and $0.2 million for the three months ended January 31, 2007 and $24.2 million and $1.9 million for the six months then ended.

Sale of Outsourced Payroll Assets

In March 2007 we sold certain assets related to our Complete Payroll and Premier Payroll Service businesses to Automatic Data Processing, Inc. (ADP) for a price of up to approximately $135 million in cash. The final purchase price is contingent upon the number of customers that transition to ADP. Due to customer attrition during the fourth quarter of fiscal 2007 and the first two quarters of fiscal 2008, we currently estimate the maximum sales price to be approximately $111 million and the maximum pre-tax net gain to be approximately $102 million. The assets were part of our Payroll and Payments segment.

In accordance with the provisions of SFAS 144, *Accounting for the Impairment or Disposal of Long-Lived Assets,* we have not accounted for this transaction as a discontinued operation because the operations and cash flows of the assets could not be clearly distinguished, operationally or for financial reporting purposes, from the rest of our outsourced payroll business. We will recognize the net gain on the sale of the assets as customers are transitioned pursuant to the agreement over a period not to exceed one year from the date of the sale. In the three and six months ended January 31, 2008 we recorded pre-tax net gains of $14.0 million and $38.0 million in our statement of operations for customers who transitioned to ADP during those periods. The total pre-tax net gain recognized from the inception of this transaction through January 31, 2008 was $69.6 million. We held deposits received from ADP of $11.8 million and $30.3 million in other current liabilities on our balance sheet at January 31, 2008 and July 31, 2007. Assets held for sale at January 31, 2008 and July 31, 2007 consisted of $2.3 million and $5.1 million in customer lists and were included in purchased intangible assets on our balance sheets.

14

Table of Contents

6. Industry Segment and Geographic Information

SFAS 131, *Disclosures about Segments of an Enterprise and Related Information,* establishes standards for the way in which public companies disclose certain information about operating segments in their financial reports. Consistent with SFAS 131, we have defined six reportable segments, described below, based on factors such as how we manage our operations and how our chief operating decision maker views results. We define the chief operating decision maker as our chief executive officer and our chief financial officer. We have aggregated two operating segments to form our Payroll and Payments reportable segment.

QuickBooks product revenue is derived primarily from QuickBooks desktop software products and financial supplies such as paper checks, envelopes and invoices. QuickBooks service and other revenue is derived primarily from QuickBooks Online Edition, QuickBooks support plans and royalties from small business online services.

Payroll and Payments product revenue is derived primarily from QuickBooks Payroll, a family of products sold on a subscription basis offering payroll tax tables, forms and electronic tax payment and filing to small businesses that prepare their own payrolls. Payroll and Payments service and other revenue is derived from small business payroll services as well as from merchant services such as credit and debit card processing provided by our Innovative Merchant Solutions business. Service and other revenue for this segment also includes interest earned on funds held for payroll customers.

Consumer Tax product revenue is derived primarily from TurboTax federal and state consumer and small business desktop tax return preparation software. Consumer Tax service and other revenue is derived primarily from TurboTax Online tax return preparation services and electronic filing services.

Professional Tax product revenue is derived primarily from Lacerte and ProSeries professional tax preparation software products. Professional Tax service and other revenue is derived primarily from electronic filing services, bank product transmission services and training services.

Financial Institutions service and other revenue is derived primarily from online banking software that is hosted in our data centers and delivered as on-demand service offerings to banks and credit unions by our Digital Insight business.

Other Businesses consist primarily of Quicken, Intuit Real Estate Solutions (IRES), and our business in Canada. Quicken product revenue is derived primarily from Quicken desktop software products. Quicken service and other revenue consists primarily of fees from consumer online transactions and from Quicken-branded credit card and bill payment offerings that we provide through our partners. Service and other revenue in our IRES business consists primarily of revenue from property management software solutions. In Canada, product revenue is derived primarily from localized versions of QuickBooks and Quicken as well as consumer desktop tax return preparation software and professional tax preparation products. Service and other revenue in Canada consists primarily of revenue from payroll services and QuickBooks support plans.

Our QuickBooks, Payroll and Payments, Consumer Tax, Professional Tax and Financial Institutions segments operate primarily in the United States. All of our segments sell primarily to customers located in the United States. International total net revenue was 5% or less of consolidated total net revenue for all periods presented.

We include costs such as corporate selling and marketing, product development, and general and administrative expenses and share-based compensation expenses that are not allocated to specific segments in a category we call Corporate. The Corporate category also includes amortization of purchased intangible assets, acquisition-related charges, impairment of goodwill and purchased intangible assets, interest expense, interest and other income, and realized net gains or losses on marketable equity securities and other investments.

The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies in Note 1 to the financial statements in our Annual Report on Form 10-K for the fiscal year ended July 31, 2007. Except for goodwill and purchased intangible assets, we do not generally track assets by reportable segment and, consequently, we do not disclose total assets by reportable segment.

Table of Contents

The following tables show our financial results by reportable segment for the three and six months ended January 31, 2008 and 2007.

(In thousands)	QuickBooks	Payroll and Payments	Consumer Tax	Professional Tax	Financial Institutions	Other Businesses	Corporate	Consolidated
Three Months Ended January 31, 2008								
Product revenue	$ 144,118	$ 53,870	$ 181,134	$ 103,199	$ 178	$ 58,291	$	$ 540,790
Service and other revenue	31,301	84,085	67,150	2,211	72,129	37,208		294,084
Total net revenue	175,419	137,955	248,284	105,410	72,307	95,499		834,874
Segment operating income	55,718	56,756	116,498	61,416	12,609	31,475		334,472
Common expenses							(139,460)	(139,460)
Subtotal	55,718	56,756	116,498	61,416	12,609	31,475	(139,460)	195,012
Amortization of purchased intangible assets							(13,299)	(13,299)
Acquisition-related charges							(8,083)	(8,083)
Interest expense							(13,510)	(13,510)
Interest and other income							4,925	4,925
Gain on sale of outsourced payroll assets							14,004	14,004
Income (loss) from continuing operations before income taxes	$ 55,718	$ 56,756	$ 116,498	$ 61,416	$ 12,609	$ 31,475	$ (155,423)	$ 179,049

(In thousands)	QuickBooks	Payroll and Payments	Consumer Tax	Professional Tax	Financial Institutions	Other Businesses	Corporate	Consolidated
Three Months Ended January 31, 2007								
Product revenue	$ 144,993	$ 51,274	$ 167,601	$ 125,585	$ 22	$ 56,589	$	$ 546,064
Service and other revenue	21,472	86,896	55,804	5,130	6,338	28,933		204,573
Total net revenue	166,465	138,170	223,405	130,715	6,360	85,522		750,637
Segment operating income	52,719	60,252	112,733	80,471	2,046	31,409		339,630
Common expenses							(121,240)	(121,240)
Subtotal	52,719	60,252	112,733	80,471	2,046	31,409	(121,240)	218,390
Amortization of purchased intangible assets							(2,304)	(2,304)

Acquisition-related charges						(1,369)	(1,369)
Interest and other income						11,027	11,027
Income (loss) from continuing operations before income taxes	$ 52,719	$ 60,252	$ 112,733	$ 80,471	$ 2,046	$ 31,409	$ (113,886)	$ 225,744

Table of Contents

(In thousands)	QuickBooks	Payroll and Payments	Consumer Tax	Professional Tax	Financial Institutions	Other Businesses	Corporate	Consolidated
Six Months Ended January 31, 2008								
Product revenue	$ 264,812	$ 107,404	$ 183,972	$ 112,534	$ 264	$ 90,424	$	$ 759,410
Service and other revenue	57,534	161,887	77,629	3,858	144,209	75,285		520,402
Total net revenue	322,346	269,291	261,601	116,392	144,473	165,709		1,279,812
Segment operating income	92,380	113,864	82,797	40,357	25,020	42,431		396,849
Common expenses							(284,210)	(284,210)
Subtotal	92,380	113,864	82,797	40,357	25,020	42,431	(284,210)	112,639
Amortization of purchased intangible assets							(26,113)	(26,113)
Acquisition-related charges							(16,095)	(16,095)
Interest expense							(27,559)	(27,559)
Interest and other income							22,116	22,116
Gain on marketable equity securities and other investments, net							713	713
Gain on sale of outsourced payroll assets							37,955	37,955
Income (loss) from continuing operations before income taxes	$ 92,380	$ 113,864	$ 82,797	$ 40,357	$ 25,020	$ 42,431	$ (293,193)	$ 103,656

(In thousands)	QuickBooks	Payroll and Payments	Consumer Tax	Professional Tax	Financial Institutions	Other Businesses	Corporate	Consolidated
Six Months Ended January 31, 2007								

Product revenue	$ 261,176	$ 102,217	$ 169,135	$ 134,010	$ 46	$ 89,596	$	$ 756,180
Service and other revenue	40,532	161,471	65,515	6,387	11,832	59,213		344,950
Total net revenue	301,708	263,688	234,650	140,397	11,878	148,809		1,101,130
Segment operating income	81,064	107,949	78,847	58,522	3,351	43,378		373,111
Common expenses							(249,333)	(249,333)
Subtotal	81,064	107,949	78,847	58,522	3,351	43,378	(249,333)	123,778
Amortization of purchased intangible assets							(4,333)	(4,333)
Acquisition-related charges							(3,247)	(3,247)
Interest and other income							21,315	21,315
Gain on marketable equity securities and other investments, net							1,221	1,221
Income (loss) from continuing operations before income taxes	$ 81,064	$ 107,949	$ 78,847	$ 58,522	$ 3,351	$ 43,378	$ (234,377)	$ 138,734

7. Current Liabilities

Unsecured Revolving Credit Facility

On March 22, 2007 we entered into an agreement with certain institutional lenders for a $500 million unsecured revolving credit facility that will expire on March 22, 2012. Advances under the credit facility will accrue interest at rates that are equal to, at our election, either Citibank s base rate or the London InterBank Offered Rate (LIBOR) plus a margin that ranges from 0.18% to 0.575% based on our senior debt credit ratings. The applicable interest rate will be increased by 0.05% for any period in which the total principal amount of advances and letters of credit under the credit facility exceeds $250 million. The agreement includes covenants that require us to maintain a ratio of total debt to annual earnings before interest, taxes, depreciation and amortization (EBITDA) of not greater than 3.25 to 1.00 and a ratio of annual EBITDA to interest payable of not less than 3.00 to 1.00. We were in compliance with these covenants at January 31, 2008. We may use amounts borrowed under this credit facility for general corporate purposes or for future acquisitions or expansion of our business. To date we have not borrowed under this credit facility.

Table of Contents

Other Current Liabilities

Other current liabilities were as follows at the dates indicated:

(In thousands)	January 31, 2008	July 31, 2007
Reserve for product returns	$ 73,580	$ 25,833
Reserve for rebates	41,203	18,918
Interest payable	20,597	21,061
Deposit received from acquirer of outsourced payroll assets	11,836	30,257
Executive deferred compensation plan	44,249	35,898
Other	53,796	39,683
Total other current liabilities	$ 245,261	$ 171,650

The balances of several of our other current liabilities, particularly our reserves for product returns and rebates, are affected by the seasonality of our business. See Note 1.

8. Long-Term Obligations

Senior Unsecured Notes

In connection with our acquisition of Digital Insight Corporation, on March 12, 2007 we issued $500 million of 5.40% senior unsecured notes due on March 15, 2012 and $500 million of 5.75% senior unsecured notes due on March 15, 2017 (together, the Notes), for a total principal amount of $1 billion. The Notes are redeemable by Intuit at any time, subject to a make-whole premium. We paid $28.4 million in cash for interest on the Notes during the six months ended January 31, 2008. Based on the trading prices of the Notes at January 31, 2008 and July 31, 2007 and the interest rates we could obtain for other borrowings with similar terms at those dates, the estimated fair value of the Notes at those dates was approximately $1.0 billion and $963.0 million.

The following table summarizes our senior unsecured notes at the dates indicated:

(In thousands)	January 31, 2008	July 31, 2007
Senior notes:		
5.40% fixed-rate notes, due 2012	$ 500,000	$ 500,000
5.75% fixed-rate notes, due 2017	500,000	500,000
Total senior notes	1,000,000	1,000,000
Unamortized discount	(2,094)	(2,181)
Total	$ 997,906	$ 997,819

Table of Contents

Other Long-Term Obligations

Other long-term obligations were as follows at the dates indicated:

(Dollars in thousands)	January 31, 2008	July 31, 2007
Capital lease obligations: Monthly installments through 2011; interest rates of 4.50% to 6.75%	$ 1,952	$ 2,377
Deferred rent	56,339	49,205
Long term deferred revenue	12,211	8,715
Long term income tax liabilities	33,316	
Other	5,637	4,843
Total long-term obligations	109,455	65,140
Less current portion (included in other current liabilities)	(8,928)	(7,384)
Long-term obligations due after one year	$ 100,527	$ 57,756

We reclassified certain income tax liabilities to long-term obligations as a result of our adoption of FIN 48 on August 1, 2007. See Note 9.

Innovative Merchant Solutions Loan and Buyout Commitments

In April 2005 our wholly owned subsidiary, Innovative Merchant Solutions (IMS), became a member of Superior Bankcard Services, LLC (SBS), a newly formed entity that acquires merchant accounts for IMS. Our consolidated financial statements include the financial position, results of operations and cash flows of SBS, after elimination of all significant intercompany balances and transactions, including amounts outstanding under the credit agreement described below. See Note 1. In connection with the formation of this entity IMS agreed to provide to SBS revolving loans in an amount of up to $40.0 million under the terms of a credit agreement. The credit agreement expires in July 2013, although certain events, such as a sale of SBS, can trigger earlier termination. Amounts outstanding under this agreement at January 31, 2008 totaled $10.0 million at interest rates of 8.5% to 9.25%. Amounts outstanding under this agreement at July 31, 2007 totaled $11.2 million at an interest rate of 9.25%. There are no scheduled repayments on the outstanding loan balance. All unpaid principal amounts and the related accrued interest are due and payable in full at the loan expiration date.

The operating agreement of SBS requires that, no later than July 2009, either IMS agree to purchase the minority members interests in SBS at a price to be set by negotiation or arbitration, or IMS and the minority members pursue a sale of their interests in SBS to a third party.

9. Income Taxes

Effective Tax Rate

We compute our provision for or benefit from income taxes by applying the estimated annual effective tax rate to income or loss from recurring operations and other taxable items. Our effective tax rate for the three months ended January 31, 2008 was approximately 35% and did not differ significantly from the federal statutory rate. State income taxes were offset primarily by the benefit we received from tax exempt interest income, the domestic production activities deduction, and federal and state research and experimental credits. Our effective tax rate for the three months ended January 31, 2007 was approximately 35% and did not differ from the federal statutory rate. State income taxes were offset primarily by the benefit we received from federal and state research and experimental credits and tax exempt interest income. In addition, we benefited from the retroactive extension of the federal research and experimental credit in the fiscal 2007 period.

Our effective tax rate for the six months ended January 31, 2008 was approximately 33%. This differed from the federal statutory rate of 35% primarily due to the benefit we received from tax exempt interest income, the domestic production activities deduction, federal and state research and experimental credits, and a one-time benefit related to

executive stock compensation, partially offset by state income taxes. Our effective tax rate for the six months ended

Table of Contents

January 31, 2007 was approximately 36%. This differed from the federal statutory rate of 35% primarily due to state income taxes, which were partially offset by the benefit we received from federal and state research and experimental credits and tax exempt interest income. In addition, we benefited from the retroactive extension of the federal research and experimental credit in the fiscal 2007 period.

Adoption of FASB Interpretation No. 48

On August 1, 2007 we adopted the provisions of FASB Interpretation (FIN) No. 48, *Accounting for Uncertainty in Income Taxes An Interpretation of FASB Statement No. 109*. FIN 48 prescribes a threshold for the financial statement recognition and measurement of a tax position taken or expected to be taken in an income tax return. FIN 48 requires that we determine whether the benefits of tax positions are more likely than not of being sustained upon audit based on the technical merits of the tax position. For tax positions that are more likely than not of being sustained upon audit, we recognize the largest amount of the benefit that is more likely than not of being sustained in the financial statements. For tax positions that are not more likely than not of being sustained upon audit, we do not recognize any portion of the benefit in the financial statements.

As a result of the adoption of FIN 48, there was no cumulative effect of the change on our retained earnings. We increased deferred tax assets and income taxes payable by $8.4 million and reclassified $30.2 million of income taxes payable from current liabilities to long-term liabilities as a result of the adoption of FIN 48.

The total amount of our unrecognized tax benefits at August 1, 2007 was $33.3 million. Net of related deferred tax assets, unrecognized tax benefits were $25.1 million at that date. If we were to recognize these net benefits, our income tax expense would reflect a favorable net impact of $11.2 million. The recognition of the balance of these net benefits would result in an increase to stockholders equity of $6.8 million and a decrease to goodwill of $7.1 million. There were no material changes to these amounts during the three and six months ended January 31, 2008. We do not believe that it is reasonably possible that there will be a significant increase or decrease in unrecognized tax benefits over the next 12 months.

We file U.S. federal, U.S. state, and foreign tax returns. Our major tax jurisdictions are U.S. federal and the state of California. For U.S. federal tax returns we are generally no longer subject to tax examinations for years prior to fiscal 2005. For California tax returns we are generally no longer subject to tax examinations for years prior to fiscal 2003. We recognize interest and penalties related to unrecognized tax benefits within the provision for income taxes. As of the date of our adoption of FIN 48, we had accrued $3.6 million for the payment of interest and had no accruals for the payment of penalties. The amount of interest and penalties recognized during the three and six months ended January 31, 2008 was not material.

10. Stockholders Equity

Stock Repurchase Programs

Intuit s Board of Directors has authorized a series of common stock repurchase programs. Shares of common stock repurchased under these programs become treasury shares. We repurchased 8.2 million and 16.3 million shares for $250 million and $500 million under these programs during the three and six months ended January 31, 2008. We repurchased 6.7 million shares for $205.4 million under these programs during the three and six months ended January 31, 2007. At January 31, 2008, we had authorization from our Board to expend $300 million for future stock repurchases.

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

Table of Contents

Share-Based Compensation Expense

The following table summarizes the total share-based compensation expense that we recorded for continuing operations for the periods shown. The share-based compensation expense that we recorded for discontinued operations for these periods was nominal.

	Three Months Ended		Six Months Ended	
(In thousands, except per share amounts)	January 31, 2008	January 31, 2007	January 31, 2008	January 31, 2007
Cost of product revenue	$ 283	$ 262	$ 559	$ 480
Cost of service and other revenue	1,953	546	3,411	1,073
Selling and marketing	9,728	5,690	17,426	11,384
Research and development	8,118	5,465	15,999	10,675
General and administrative	9,452	7,071	18,794	14,041
Decrease in operating income from continuing operations and income from continuing operations before income taxes	29,534	19,034	56,189	37,653
Income tax benefit	(11,056)	(6,740)	(21,191)	(13,445)
Decrease in net income from continuing operations	$ 18,478	$ 12,294	$ 34,998	$ 24,208
Decrease in net income per share from continuing operations:				
Basic	$ 0.06	$ 0.04	$ 0.10	$ 0.07
Diluted	$ 0.05	$ 0.03	$ 0.10	$ 0.07

At January 31, 2008, there was $211.3 million of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under all equity compensation plans which we expect to recognize as expense in the future. Total unrecognized compensation cost will be adjusted for future changes in estimated forfeitures. We expect to recognize that cost over a weighted average vesting period of 2.0 years.

Table of Contents

Stock Option Activity

A summary of activity under all share-based compensation plans for the six months ended January 31, 2008 was as follows:

		Options Outstanding	
	Shares Available for Grant	Number of Shares	Weighted Average Exercise Price Per Share
Balance at July 31, 2007	**6,410,464**	**54,489,650**	**$ 24.05**
Additional shares authorized	10,000,000		
Options assumed and converted related to acquisitions		647,992	2.00
Options granted	(917,840)	917,840	29.44
Restricted stock units granted	(2,531,413)		
Options exercised		(5,483,557)	19.82
Options and shares canceled or expired and returned to option pool, net of options canceled from expired plans	1,089,552	(1,189,820)	28.95
Restricted stock units canceled and returned to option pool, net of restricted stock units canceled from expired plans	253,971		
Balance at January 31, 2008	**14,304,734**	**49,382,105**	**$ 24.22**

At January 31, 2008, 35,321,942 options were exercisable at a weighted average exercise price of $22.42 per share.

Restricted Stock Unit Activity

A summary of restricted stock unit activity for the six months ended January 31, 2008 was as follows:

Restricted Stock Units	Shares	Weighted Average Fair Value
Nonvested at July 31, 2007	**2,504,686**	**$ 29.88**
Granted	2,531,413	28.17
Restricted stock units asssumed and converted related to acquisitions	561,887	29.78
Vested	(238,588)	26.94
Forfeited	(254,005)	29.96
Nonvested at January 31, 2008	**5,105,393**	**$ 29.15**

Table of Contents

11. Litigation

Intuit is subject to certain routine legal proceedings, as well as demands, claims and threatened litigation, that arise in the normal course of our business, including assertions that we may be infringing patents or other intellectual property rights of others. We currently believe that the ultimate amount of liability, if any, for any pending claims of any type (either alone or combined) will not materially affect our financial position, results of operations or cash flows. The ultimate outcome of any litigation is uncertain and, regardless of outcome, litigation can have an adverse impact on Intuit because of defense costs, negative publicity, diversion of management resources and other factors. Our failure to obtain necessary license or other rights, or litigation arising out of intellectual property claims, could adversely affect our business.

Table of Contents

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

Our Management s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) includes the following sections:

Executive Overview that discusses at a high level our operating results and some of the trends that affect our business.

Significant changes since our most recent Annual Report on Form 10-K in the Critical Accounting Policies and Estimates that we believe are important to understanding the assumptions and judgments underlying our financial statements.

Results of Operations that includes a more detailed discussion of our revenue and expenses.

Liquidity and Capital Resources which discusses key aspects of our statements of cash flows, changes in our balance sheets and our financial commitments.

You should note that this MD&A discussion contains forward-looking statements that involve risks and uncertainties. Please see Item 1A in Part II of this Quarterly Report on Form 10-Q for important information to consider when evaluating such statements.

You should read this MD&A in conjunction with the financial statements and related notes in Item 1 and our Annual Report on Form 10-K for the fiscal year ended July 31, 2007. In February 2007 we completed the acquisition of Digital Insight Corporation for a total purchase price of approximately $1.34 billion. Accordingly, we have included Digital Insight s results of operations in our consolidated results of operations from the date of acquisition. We also sold our Intuit Distribution Management Solutions business in August 2007 for approximately $100 million in cash and recorded a net gain on disposal of $27.5 million. We accounted for this business as discontinued operations and have accordingly reclassified our statements of operations and balance sheets for all periods prior to the sale. Unless noted otherwise, the following discussion pertains only to our continuing operations.

Executive Overview

This overview provides a high level discussion of our operating results and some of the trends that affect our business. We believe that an understanding of these trends is important in order to understand our financial results for the second quarter and first six months of fiscal 2008 as well as our future prospects. This summary is not intended to be exhaustive, nor is it intended to be a substitute for the detailed discussion and analysis provided elsewhere in this Quarterly Report on Form 10-Q.

About Intuit

Intuit is a leading provider of business and financial management solutions for small and medium sized businesses; financial institutions; consumers; and accounting professionals. We organize our business into the following six segments:

QuickBooks includes QuickBooks accounting and business management software and technical support, as well as financial supplies for small businesses.

Payroll and Payments includes small business payroll products and services. It also encompasses merchant services, such as credit and debit card processing, provided by our Innovative Merchant Solutions business.

Consumer Tax includes our TurboTax consumer and small business tax return preparation products and services.

Professional Tax includes our Lacerte and ProSeries professional tax products and services.

Financial Institutions consists primarily of outsourced online banking applications and services for banks and credit unions provided by our Digital Insight business.

Other Businesses includes our Quicken personal finance products and services, Intuit Real Estate Solutions, and our businesses in Canada and the United Kingdom.

Seasonality and Trends

Our QuickBooks, Consumer Tax and Professional Tax businesses are highly seasonal. Some of our other offerings are also seasonal, but to a lesser extent. Revenue from many of our small business software products, including

Table of Contents

QuickBooks, tends to be at its peak around calendar year end, although the timing of new product releases or changes in our offerings can materially shift revenue between quarters. Sales of income tax preparation products and services are heavily concentrated in the period from November through April. In our Consumer Tax business, a greater proportion of our revenue has been occurring later in this seasonal period due in part to the growth in sales of TurboTax Online, for which revenue is recognized upon filing. The seasonality of our Consumer Tax and Professional Tax revenue is also affected by the timing of the availability of tax forms from taxing agencies and the ability of those agencies to receive electronic tax return submissions. Delays in the availability of tax forms or the ability of taxing agencies to receive submissions can cause revenue to shift from our second fiscal quarter to our third fiscal quarter. These seasonal patterns mean that our total net revenue is usually highest during our second quarter ending January 31 and third quarter ending April 30. We typically report losses in our first quarter ending October 31 and fourth quarter ending July 31, when revenue from our tax businesses is minimal while operating expenses continue at relatively consistent levels. We believe the seasonality of our revenue is likely to continue in the future. In MD&A we often focus on year-to-date results for our seasonal businesses as they are generally more meaningful than quarterly results.

Overview of Financial Results

Total net revenue for the first six months of fiscal 2008 was $1.28 billion, up 16% compared with the first six months of fiscal 2007. The fiscal 2008 revenue increase was due to our acquisition of Digital Insight and, to a lesser extent, to revenue growth in our Consumer Tax segment. We estimate that, compared with the second quarter of fiscal 2007, changes in our Professional Tax offerings and delay of delivery of certain product and service elements for the 2007 tax year caused an additional $23 million in Professional Tax revenue to be deferred from the second quarter of fiscal 2008 to the third quarter of fiscal 2008. Excluding the impact of our acquisition of Digital Insight, the transition of certain outsourced payroll customers in connection with a sale of assets to Automatic Data Processing, Inc. (ADP), and the deferral of Professional Tax revenue described above, we estimate that total net revenue for the first six months of fiscal 2008 would have increased 10% compared with the same period of fiscal 2007.

Operating income from continuing operations of $70.4 million for the first six months of fiscal 2008 decreased 39% compared with $116.2 million for the first six months of fiscal 2007. Fiscal 2008 revenue growth was more than offset by higher costs of revenue and higher operating expenses. Higher costs and expenses in the first six months of fiscal 2008 reflect our acquisition of Digital Insight, which has a higher cost structure than our other businesses. Higher costs and expenses in that period also reflect higher costs of revenue associated with revenue growth in our other segments, increased investment in research and development for new and existing offerings, and increases in advertising and other marketing expenses to support the launch of our Consumer Tax offerings. The effects of these factors are described in more detail below.

Net income from continuing operations of $68.4 million for the first six months of fiscal 2008 decreased 23% compared with $88.4 million for the first six months of fiscal 2007. In the fiscal 2008 period we incurred interest expense of $27.6 million on the debt we issued in connection with our February 2007 acquisition of Digital Insight. We also recorded a pre-tax gain of $38.0 million on the sale of certain outsourced payroll assets in the first six months of fiscal 2008. Our effective tax rates for the first six months of fiscal 2008 and 2007 were approximately 33% and 36%. Diluted net income per share from continuing operations of $0.20 for the first six months of fiscal 2008 decreased 20% compared with $0.25 for the same period of fiscal 2007 due to these factors.

On December 18, 2007 we acquired all of the outstanding shares of Homestead Technologies Inc. for total consideration of approximately $170 million on a fully diluted basis. Homestead is a provider of Web site services to small businesses and became part of our QuickBooks segment.

On December 19, 2007 we entered into a definitive agreement to acquire Electronic Clearing House, Inc. (ECHO). Under the terms of the agreement, Intuit will pay $17.00 per share in cash for each share of ECHO common stock, including shares issuable upon exercise of options, for total consideration of approximately $131 million on a fully diluted basis. ECHO is a provider of electronic payment processing services and will become part of our Payroll and Payments segment. The transaction is subject to ECHO shareholder approval and other customary closing conditions and is expected to close during the third quarter of fiscal 2008.

We ended the second quarter of fiscal 2008 with cash and investments totaling $837.2 million, a decrease of $466.5 million from July 31, 2007. In the first six months of fiscal 2008 we generated cash from continuing

operations, the sale of investments, the sale of our Intuit Distribution Management Solutions business and the issuance of common stock under employee stock plans. During the same period we used cash for the repurchase of 16.3 million shares of

Table of Contents

our common stock for $500 million under our stock repurchase programs, for the purchase of Homestead Technologies, for purchases of property and equipment and for seasonal working capital needs. At January 31, 2008, we had authorization from our Board to expend $300 million for future stock repurchases. See *Liquidity and Capital Resources* later in this Item 2 for more information.

Critical Accounting Policies and Estimates

In preparing our financial statements, we make estimates, assumptions and judgments that can have a significant impact on our net revenue, operating income or loss and net income or loss, as well as on the value of certain assets and liabilities on our balance sheet. We believe that the estimates, assumptions and judgments involved in the accounting policies described in Management s Discussion and Analysis of Financial Condition and Results of Operations in Item 7 of our Annual Report on Form 10-K for the fiscal year ended July 31, 2007 have the greatest potential impact on our financial statements, so we consider them to be our critical accounting policies and estimates. Except for the change to our income tax policy that is discussed in *Income Taxes Adoption of FASB Interpretation No. 48* below, we believe that during the first six months of fiscal 2008 there were no significant changes in those critical accounting policies and estimates. Senior management has reviewed the development and selection of our critical accounting policies and estimates and their disclosure in this Quarterly Report on Form 10-Q with the Audit Committee of our Board of Directors.

Income Taxes Adoption of FASB Interpretation No. 48

We adopted Financial Accounting Standards Board (FASB) Interpretation (FIN) No. 48, *Accounting for Uncertainty in Income Taxes An Interpretation of FASB Statement No. 109* on August 1, 2007. See Note 9 to the financial statements in Item 1. As a result of our adoption of FIN 48 we recognize and measure benefits for uncertain tax positions accounted for in accordance with Statement of Financial Accounting Standards (SFAS) No. 109, *Accounting for Income Taxes,* using a two-step approach. The first step is to evaluate the tax position taken or expected to be taken in a tax return by determining if the weight of available evidence indicates that it is more likely than not that the tax position will be sustained upon audit, including resolution of any related appeals or litigation processes. For tax positions that are more likely than not of being sustained upon audit, the second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement. Significant judgment is required to evaluate uncertain tax positions. We evaluate our uncertain tax positions on a quarterly basis. Our evaluations are based upon a number of factors, including changes in facts or circumstances, changes in tax law, correspondence with tax authorities during the course of audits and effective settlement of audit issues. Changes in the recognition or measurement of uncertain tax positions could result in material increases or decreases in our income tax expense in the period in which we make the change.

Results of Operations

Financial Overview

(Dollars in millions, except per share amounts)	**Q2 FY08**	**Q2 FY07**	**$ Change**	**% Change**	**YTD Q2 FY08**	**YTD Q2 FY07**	**$ Change**	**% Change**
Total net revenue	$ 834.9	$ 750.6	$ 84.3	11%	$ 1,279.8	$ 1,101.1	$ 178.7	16%
Operating income from continuing operations	173.6	214.7	(41.1)	(19%)	70.4	116.2	(45.8)	(39%)
Net income from continuing operations	116.0	145.6	(29.6)	(20%)	68.4	88.4	(20.0)	(23%)
Diluted net income per share from continuing operations	$ 0.34	$ 0.40	$ (0.06)	(15%)	$ 0.20	$ 0.25	$ (0.05)	(20%)

Table of Contents

Total net revenue increased $84.3 million or 11% in the second quarter of fiscal 2008 compared with the second quarter of fiscal 2007. Total net revenue was higher in the second quarter of fiscal 2008 due to our acquisition of Digital Insight, which accounted for about $65 million of the increase, and, to a lesser extent, to revenue growth in our Consumer Tax segment. Excluding the impact of our acquisition of Digital Insight, the transition of certain outsourced payroll customers in connection with a sale of assets to ADP, and the deferral of Professional Tax revenue described below, we estimate that total net revenue for the second quarter of fiscal 2008 would have increased 9% compared with the same period of fiscal 2007. Consumer Tax segment revenue increased $24.9 million or 11% in the second quarter of fiscal 2008 due to growth in TurboTax Online units. Professional Tax segment revenue decreased $25.3 million or 19% in the second quarter of fiscal 2008. We estimate that, compared with the second quarter of fiscal 2007, changes in our Professional Tax offerings and delay of delivery of certain product and service elements for the 2007 tax year caused an additional $23 million in Professional Tax revenue to be deferred from the second quarter of fiscal 2008 to the third quarter of fiscal 2008. Revenue in our QuickBooks segment was up 5% and Payroll and Payments segment revenue was flat. Payroll and Payments segment revenue for the second quarter of fiscal 2008 increased 16% when adjusted for the ongoing transition of certain outsourced payroll customers in connection with a sale of assets to ADP. See *Total Net Revenue by Business Segment* later in this Item 2 for more information.

Total net revenue increased $178.7 million or 16% in the first six months of fiscal 2008 compared with the first six months of fiscal 2007. Total net revenue was higher in the fiscal 2008 period due to our acquisition of Digital Insight, which accounted for about $131 million of the increase and, to a lesser extent, to revenue growth in our Consumer Tax segment. Excluding the impact of our acquisition of Digital Insight, the transition of certain outsourced payroll customers in connection with a sale of assets to ADP, and the deferral of Professional Tax revenue described above, we estimate that total net revenue for the first six months of fiscal 2008 would have increased 10% compared with the same period of fiscal 2007. Consumer Tax segment revenue increased $27.0 million or 11% in the first six months of fiscal 2008 due to growth in TurboTax Online units. Professional Tax segment revenue decreased $24.0 million or 17% in the first six months of fiscal 2008 due to the deferral of revenue described above. Revenue in our QuickBooks segment was up 7% and Payroll and Payments segment revenue increased 2%. Payroll and Payments segment revenue for the first six months of fiscal 2008 increased 17% when adjusted for the ongoing transition of certain outsourced payroll customers in connection with a sale of assets to ADP. See *Total Net Revenue by Business Segment* later in this Item 2 for more information.

Higher revenue in the second quarter and first six months of fiscal 2008 was more than offset by higher costs and expenses, including costs and expenses associated with Digital Insight. The costs and expenses for our Financial Institutions segment, which includes Digital Insight, are relatively higher as a percentage of revenue than the costs and expenses for our other businesses. Including Digital Insight, increases for the first six months of fiscal 2008 were approximately $60 million for cost of product, service and other revenue, almost $70 million for product development, approximately $60 million for selling and marketing expenses and approximately $38 million for the amortization of Digital Insight intangible assets. See *Cost of Revenue* and *Operating Expenses* later in this Item 2 for more information.

Net income from continuing operations decreased $29.6 million or 20% in the second quarter of fiscal 2008 and $20.0 million or 23% in the first six months of fiscal 2008 compared with the same periods of fiscal 2007. In the first six months of fiscal 2008 we incurred interest expense of $27.6 million on the debt we issued in connection with our February 2007 acquisition of Digital Insight. We also recorded a pre-tax gain of $38.0 million on the sale of certain outsourced payroll assets in the first six months of fiscal 2008. Our effective tax rates for the second quarters of fiscal 2008 and 2007 were approximately 35%. Our effective tax rates for the first six months of fiscal 2008 and 2007 were approximately 33% and 36%. See *Income Taxes* later in this Item 2 for more information. Due to these factors, diluted net income per share from continuing operations decreased 15% to $0.34 in the second quarter of fiscal 2008 and decreased 20% to $0.20 in the first six months of fiscal 2008 compared with the same periods of fiscal 2007.

Table of Contents

Total Net Revenue by Business Segment

The table below and the discussion of net revenue by business segment that follows it are organized in accordance with our six reportable business segments. See Note 6 to the financial statements in Item 1 for descriptions of product revenue and service and other revenue for each segment.

(Dollars in millions)	Q2 FY08	% of Total Net Revenue	Q2 FY07	% of Total Net Revenue	% Change	YTD Q2 FY08	% of Total Net Revenue	YTD Q2 FY07	% of Total Net Revenue	% Change
QuickBooks										
Product revenue	$ 144.1		$ 145.0			$ 264.8		$ 261.2		
Service and other revenue	31.3		21.5			57.5		40.5		
Subtotal	175.4	21%	166.5	22%	5%	322.3	25%	301.7	27%	7%
Payroll and Payments										
Product revenue	53.9		51.3			107.4		102.2		
Service and other revenue	84.1		86.9			161.9		161.5		
Subtotal	138.0	16%	138.2	19%		269.3	21%	263.7	24%	2%
Consumer Tax										
Product revenue	181.1		167.6			184.0		169.1		
Service and other revenue	67.2		55.8			77.6		65.5		
Subtotal	248.3	30%	223.4	30%	11%	261.6	21%	234.6	21%	11%
Professional Tax										
Product revenue	103.2		125.6			112.5		134.0		
Service and other revenue	2.2		5.1			3.9		6.4		
Subtotal	105.4	13%	130.7	17%	(19%)	116.4	9%	140.4	13%	(17%)
Financial Institutions										
Product revenue	0.2					0.3		0.1		
Service and other revenue	72.1		6.3			144.2		11.8		

Subtotal	72.3	9%	6.3	1%	NM	144.5	11%	11.9	1%	NM
Other Businesses										
Product revenue	58.3		56.6			90.4		89.6		
Service and other revenue	37.2		28.9			75.3		59.2		
Subtotal	95.5	11%	85.5	11%	12%	165.7	13%	148.8	14%	11%
Total Company										
Product revenue	540.8		546.1			759.4		756.2		
Service and other revenue	294.1		204.5			520.4		344.9		
Total net revenue	$ 834.9	100%	$ 750.6	100%	11%	$ 1,279.8	100%	$ 1,101.1	100%	16%

NM = Not meaningful

QuickBooks

QuickBooks segment net revenue increased $8.9 million or 5% in the second quarter of fiscal 2008 and $20.6 million or 7% in the first six months of fiscal 2008 compared with the same periods of fiscal 2007. Total QuickBooks software unit sales, including activations of our free Simple Start offering, increased 4% in the first six months of fiscal 2008 compared with the same period of fiscal 2007. Revenue growth in that period was also driven by a 33% increase in QuickBooks Online Edition subscribers and growth in revenue from secondary products and services sold in conjunction with QuickBooks software units.

Table of Contents

Payroll and Payments

Payroll and Payments net revenue was flat in the second quarter of fiscal 2008 compared with the second quarter of fiscal 2007. In our Payments business, merchant services revenue increased 27% in the second quarter of fiscal 2008 due to 20% growth in the customer base, 4% higher transaction volume per customer and price increases. Small business payroll revenue decreased 12% in the second quarter of fiscal 2008 compared with the second quarter of fiscal 2007 as we continued to transition portions of our Complete Payroll and Premier Payroll Services customer base in connection with a sale of assets to ADP. We estimate that revenue growth in our Payroll and Payments segment in the second quarter of fiscal 2008 would have been approximately 16% when adjusted for the impact of the sale of those customers.

Payroll and Payments net revenue increased $5.6 million or 2% in the first six months of fiscal 2008 compared with the same period of fiscal 2007. In our Payments business, merchant services revenue increased 31% in the first six months of fiscal 2008 due to 20% growth in the customer base, 4% higher transaction volume per customer and price increases. Small business payroll revenue decreased 10% in the first six months of fiscal 2008 compared with the same period of fiscal 2007 as we continued to transition portions of our Complete Payroll and Premier Payroll Services customer base in connection with a sale of assets to ADP. We estimate that revenue growth in our Payroll and Payments segment in the first six months of fiscal 2008 would have been approximately 17% when adjusted for the impact of the sale of those customers.

Consumer Tax

Consumer Tax total net revenue increased $24.9 million or 11% in the second quarter of fiscal 2008 and $27.0 million or 11% in the first six months of fiscal 2008 compared with the same periods of fiscal 2007. The fiscal 2008 increases were due to 13% growth in total federal TurboTax units, driven by growth in TurboTax Online units. Due to the seasonal nature of our Consumer Tax business, we will not have substantially complete results for the 2007 tax season until the third quarter of fiscal 2008.

Professional Tax

Professional Tax total net revenue decreased $25.3 million or 19% in the second quarter of fiscal 2008 and $24.0 million or 17% in the first six months of fiscal 2008 compared with the same periods of fiscal 2007. We estimate that, compared with the second quarter of fiscal 2007, changes in our Professional Tax offerings and delay of delivery of certain product and service elements for the 2007 tax year caused an additional $23 million in Professional Tax revenue to be deferred from the second quarter of fiscal 2008 to the third quarter of fiscal 2008. If this deferral of revenue had not occurred, we estimate that Professional Tax revenue would have been flat in the first six months of fiscal 2008 compared with the same period of fiscal 2007. Due to the seasonal nature of our Professional Tax business, we will not have substantially complete results for the 2007 tax season until the third quarter of fiscal 2008.

Financial Institutions

Financial Institutions net revenue increased $66.0 million to $72.3 million in the second quarter of fiscal 2008 and increased $132.6 million to $144.5 million compared with the same periods of fiscal 2007. The fiscal 2008 increases were due almost entirely to our February 2007 acquisition of Digital Insight.

Other Businesses

Other Businesses net revenue increased $10.0 million or 12% in the second quarter of fiscal 2008 and $16.9 million or 11% in the first six months of fiscal 2008 compared with the same periods of fiscal 2007. In the first six months of fiscal 2008, revenue from our Intuit Real Estate Solutions business grew 27%, revenue from our businesses in Canada and the United Kingdom increased 8% and Quicken revenue grew 4%.

Table of Contents

Cost of Revenue

(Dollars in millions)	Q2 FY08	% of Related Revenue	Q2 FY07	% of Related Revenue	YTD Q2 FY08	% of Related Revenue	YTD Q2 FY07	% of Related Revenue
Cost of product revenue	$ 56.9	11%	$ 66.1	12%	$ 90.6	12%	$ 101.5	13%
Cost of service and other revenue	102.8	35%	65.4	32%	200.3	38%	128.2	37%
Amortization of purchased intangible assets	13.3	n/a	2.3	n/a	26.1	n/a	4.3	n/a
Total cost of revenue	$ 173.0	21%	$ 133.8	18%	$ 317.0	25%	$ 234.0	21%

Cost of service and other revenue as a percentage of service and other revenue increased to 35% in the second quarter of fiscal 2008 from 32% in the second quarter of fiscal 2007 and increased to 38% in the first six months of fiscal 2008 from 37% in the first six months of fiscal 2007. The fiscal 2008 increases were due to the impact of our acquisition of Digital Insight, which has relatively higher costs of service and other revenue, partially offset by the impact of growth in merchant services revenue and Consumer Tax services revenue, which have relatively lower costs of revenue.

Amortization of purchased intangible assets increased in the second quarter and first six months of fiscal 2008 compared with the same periods of fiscal 2007 due to the amortization of Digital Insight purchased intangible assets, which we acquired in February 2007.

Operating Expenses

(Dollars in millions)	Q2 FY08	% of Total Net Revenue	Q2 FY07	% of Total Net Revenue	YTD Q2 FY08	% of Total Net Revenue	YTD Q2 FY07	% of Total Net Revenue
Selling and marketing	$ 263.7	31%	$ 219.5	29%	$ 433.4	34%	$ 373.0	34%
Research and development	149.8	18%	113.0	15%	299.1	24%	230.4	21%
General and administrative	66.7	8%	68.2	9%	143.8	11%	144.2	13%
Acquisition-related charges	8.1	1%	1.4	0%	16.1	1%	3.2	0%
Total operating expenses	$ 488.3	58%	$ 402.1	53%	$ 892.4	70%	$ 750.8	68%

Total operating expenses as a percentage of total net revenue increased to 58% in the second quarter of fiscal 2008 compared with 53% in the second quarter of fiscal 2007 and increased to 70% in the first six months of fiscal 2008 compared with 68% in the first six months of fiscal 2007. Total operating expenses in dollars increased about $142 million in the first six months of fiscal 2008, approximately $73 million of which was due to our February 2007 acquisition of Digital Insight. Fiscal 2008 operating expenses were affected by the higher cost structure of Digital Insight and by the amortization of Digital Insight intangible assets.

Including Digital Insight, almost 50% of the increase in total operating expenses in dollars for the first six months of fiscal 2008 was due to higher research and development expenses. During this period, we continued to invest in research and development for existing offerings as well as for new offerings. About 40% of the increase in total operating expenses for this period was due to higher selling and marketing expenses. Slightly more than half of the fiscal 2008 increase in selling and marketing expenses was due to our acquisition of Digital Insight, whose selling costs are relatively higher compared with our other businesses because they sell their services to financial institutions through a direct sales force. We also increased advertising and other marketing expenses to support the launch of our Consumer Tax offerings.

Table of Contents

Acquisition-related charges increased in the second quarter and first six months of fiscal 2008 compared with the same periods of fiscal 2007 due to the amortization of Digital Insight purchased intangible assets, which we acquired in February 2007.

Segment Operating Income (Loss)

Segment operating income or loss is segment net revenue less segment cost of revenue and operating expenses. Segment expenses do not include certain costs, such as corporate selling and marketing, product development, and general and administrative expenses and share-based compensation expenses, which are not allocated to specific segments. These unallocated costs totaled $139.5 million and $121.2 million in the second quarters of fiscal 2008 and 2007 and $284.2 million and $249.3 million in the first six months of fiscal 2008 and 2007. Unallocated costs increased in the fiscal 2008 periods due to higher share-based compensation expenses and to higher expenses for shared product development and marketing functions. Segment expenses also do not include amortization of purchased intangible assets, acquisition-related charges, and impairment of goodwill and purchased intangible assets. In addition, segment expenses do not include interest expense, interest and other income, and realized net gains or losses on marketable equity securities and other investments. See Note 6 to the financial statements in Item 1 for reconciliations of total segment operating income or loss to income or loss from continuing operations before income taxes for each fiscal period presented.

(Dollars in millions)	**Q2 FY08**	**% of Related Revenue**	**Q2 FY07**	**% of Related Revenue**	**YTD Q2 FY08**	**% of Related Revenue**	**YTD Q2 FY07**	**% of Related Revenue**
QuickBooks	$ 55.7	32%	$ 52.7	32%	$ 92.4	29%	$ 81.1	27%
Payroll and Payments	56.8	41%	60.3	44%	113.9	42%	107.9	41%
Consumer Tax	116.5	47%	112.7	50%	82.8	32%	78.8	34%
Professional Tax	61.4	58%	80.5	62%	40.3	35%	58.5	42%
Financial Institutions	12.6	17%	2.0	32%	25.0	17%	3.4	29%
Other Businesses	31.5	33%	31.4	37%	42.4	26%	43.4	29%
Total segment operating income	$ 334.5	40%	$ 339.6	45%	$ 396.8	31%	$ 373.1	34%

QuickBooks

QuickBooks segment operating income as a percentage of related revenue was 32% in the second quarters of fiscal 2008 and 2007. QuickBooks segment revenue increased $8.9 million in the second quarter of fiscal 2008 compared with the second quarter of fiscal 2007. Cost of revenue remained relatively flat as cost efficiencies achieved for our QuickBooks 2008 product line offset higher costs associated with QuickBooks services. Expenses for product development increased approximately $4 million in the second quarter of fiscal 2008.

QuickBooks segment operating income as a percentage of related revenue increased to 29% in the first six months of fiscal 2008 from 27% in the first six months of fiscal 2007. QuickBooks segment revenue grew $20.6 million in the first six months of fiscal 2008 compared with the same period of fiscal 2007. Cost of revenue increased about $3 million as cost efficiencies achieved for our QuickBooks 2008 product line partially offset higher costs associated with QuickBooks services. Expenses for product development increased approximately $6 million and general and administrative expenses increased approximately $2 million, including higher legal expenses, in the fiscal 2008 period.

Payroll and Payments

Payroll and Payments segment operating income as a percentage of related revenue decreased to 41% in the second quarter of fiscal 2008 from 44% in the second quarter of fiscal 2007. Total Payroll and Payments revenue was flat in the second quarter of fiscal 2008 compared with the second quarter of fiscal 2007, with higher merchant services revenue offsetting lower total payroll revenue. Although merchant services revenue has relatively higher costs of

revenue than our combined payroll business, lower overall cost of revenue in the segment was achieved through our ongoing transition of certain full service payroll customers, which have relatively higher costs of revenue, to ADP. Higher gross margins in the second quarter of fiscal 2008 were more than offset by higher product development and infrastructure costs.

Table of Contents

Payroll and Payments segment operating income as a percentage of related revenue increased slightly to 42% in the first six months of fiscal 2008 compared with 41% in the same period of fiscal 2008. Total Payroll and Payments revenue increased $5.6 million in the first six months of fiscal 2008 compared with the same period of fiscal 2007, with higher merchant services revenue more than offsetting lower total payroll revenue. Although merchant services revenue has relatively higher costs of revenue than our combined payroll business, lower overall cost of revenue in the segment was achieved through our ongoing transition of certain full service payroll customers, which have relatively higher costs of revenue, to ADP. Higher gross margins in the first half of fiscal 2008 were offset by higher product development and infrastructure costs.

Consumer Tax

Consumer Tax segment operating income as a percentage of related revenue decreased to 47% in the second quarter of fiscal 2008 from 50% in the second quarter of fiscal 2007 and decreased to 32% in the first six months of fiscal 2008 from 34% in the first six months of fiscal 2007. The $27.0 million growth in Consumer Tax revenue in the first six months of fiscal 2008 was nearly offset by higher expenses, including increases of approximately $25 million for selling and marketing expenses (including higher radio, television and online advertising expenses as well as higher direct marketing expenses) and approximately $5 million for product development expenses. Lower cost of revenue and general and administrative expenses partially offset the increases in selling and marketing expenses and product development expenses.

Professional Tax

Professional Tax segment operating income as a percentage of related revenue decreased to 58% in the second quarter of fiscal 2008 from 62% in the second quarter of fiscal 2007 and decreased to 35% in the first six months of fiscal 2008 from 42% in the first six months of fiscal 2007. Professional Tax operating margins for the second quarter and first six months of fiscal 2008 were affected by the deferral of approximately $23 million in revenue associated with changes in our offerings and a delay in the delivery of certain product and service elements from the second quarter of fiscal 2008 to the third quarter of fiscal 2008. If this deferral had not occurred, Professional Tax segment operating income as a percentage of related revenue would have been 45% for the first six months of fiscal 2008.

Financial Institutions

Financial Institutions segment operating income as a percentage of related revenue decreased to 17% in the second quarter of fiscal 2008 from 32% in the second quarter of fiscal 2007 and decreased to 17% in the first six months of fiscal 2008 from 29% in the first six months of fiscal 2007. The decreases in segment operating income were due to our February 2007 acquisition of Digital Insight, which we combined with our existing financial institutions business to create a new Financial Institutions segment. This new segment is significantly larger and has higher costs, including relatively higher cost of service and other revenue and higher selling expenses, than the Intuit financial institutions business that preceded it.

Other Businesses

Other Businesses segment operating income as a percentage of related revenue decreased to 33% in the second quarter of fiscal 2008 from 37% in the second quarter of fiscal 2007 and decreased to 26% in the first six months of fiscal 2008 from 29% in the same period of fiscal 2007. Much of the revenue growth in this segment came from our Intuit Real Estate Solutions business, which has a higher cost structure than the other businesses in this segment. In addition, selling and marketing expenses in our business in Canada increased in both fiscal 2008 periods in support of the launch of our latest QuickBooks and consumer tax offerings.

Non-Operating Income and Expenses

Interest Expense

In order to finance a portion of our February 2007 acquisition of Digital Insight, we issued $1 billion in senior notes. Interest expense of $13.5 million for the second quarter of fiscal 2008 and $27.6 million for the first six months of fiscal 2008 consisted primarily of interest on $500 million in principal amount of the senior notes at 5.40% and

Table of Contents

interest on $500 million in principal amount of the senior notes at 5.75%. The senior notes are due in March 2012 and March 2017 and are redeemable by Intuit at any time, subject to a make-whole premium.

Interest and Other Income

(In millions)	Three Months Ended January 31, 2008	Three Months Ended January 31, 2007	Six Months Ended January 31, 2008	Six Months Ended January 31, 2007
Interest income	$ 9.2	$ 11.1	$ 20.9	$ 21.1
Net gains (losses) on executive deferred compensation plan assets	(4.4)	(0.3)	(1.4)	(0.4)
Other	0.1	0.2	2.6	0.6
Total interest and other income	$ 4.9	$ 11.0	$ 22.1	$ 21.3

Interest and other income consists primarily of interest income. Lower interest rates and lower average invested balances resulted in lower interest income in the second quarter of fiscal 2008 compared with the second quarter of fiscal 2007. Higher average invested balances and lower interest rates resulted in interest income that was flat in the first six months of fiscal 2008 compared with the same period of fiscal 2007.

Income Taxes

Effective Tax Rate

Our effective tax rate for the second quarter of fiscal 2008 was approximately 35% and did not differ significantly from the federal statutory rate. State income taxes were offset primarily by the benefit we received from tax exempt interest income, the domestic production activities deduction, and federal and state research and experimental credits.

Our effective tax rate for the second quarter of fiscal 2007 was approximately 35% and did not differ significantly from the federal statutory rate. State income taxes were offset primarily by the benefit we received from federal and state research and experimental credits and tax exempt interest income. In addition, we benefited from the retroactive extension of the federal research and experimental credit in the fiscal 2007 period.

Our effective tax rate for the first six months of fiscal 2008 was approximately 33%. This differed from the federal statutory rate of 35% primarily due to the benefit we received from tax exempt interest income, the domestic production activities deduction, federal and state research and experimental credits, and a one-time benefit related to executive stock compensation, partially offset by state income taxes. Our effective tax rate for the first six months of fiscal 2007 was approximately 36%. This differed from the federal statutory rate of 35% primarily due to state income taxes, which were partially offset by the benefit we received from federal and state research and experimental credits and tax exempt interest income. In addition, we benefited from the retroactive extension of the federal research and experimental credit in the fiscal 2007 period.

Net Deferred Tax Assets

At January 31, 2008, we had total net deferred tax assets of $184.6 million, which included a valuation allowance of $2.5 million for certain state net operating loss carryforwards. The allowance reflects management s assessment that we may not receive the benefit of loss carryforwards in certain state jurisdictions. While we believe our current valuation allowance is sufficient, it may be necessary to increase this amount if it becomes more likely that we will not realize a greater portion of the net deferred tax assets. We assess the need for an adjustment to the valuation allowance on a quarterly basis. See Note 9 to the financial statements in Item 1.

Adoption of FASB Interpretation No. 48

On August 1, 2007 we adopted the provisions of FIN 48, *Accounting for Uncertainty in Income Taxes An Interpretation of FASB Statement No. 109*. FIN 48 prescribes a threshold for the financial statement recognition and measurement of a tax position taken or expected to be taken in an income tax return. FIN 48 requires that we determine whether the benefits of tax positions are more likely than not of being sustained upon audit based on the

technical merits of the tax position. For tax positions that are more likely than not of being sustained upon audit, we recognize the largest amount of the benefit that is more likely than not of being sustained in the financial statements.

Table of Contents

For tax positions that are not more likely than not of being sustained upon audit, we do not recognize any portion of the benefit in the financial statements. See Note 9 to the financial statements in Item 1 for more information about the impact of our adoption of FIN 48.

Dispositions and Discontinued Operations

During fiscal 2008 and 2007 we sold the assets and businesses described below. See Note 5 to the financial statements in Item 1 for a more complete description of these dispositions and discontinued operations.

Intuit Distribution Management Solutions Discontinued Operations

In August 2007 we sold our Intuit Distribution Management Solutions (IDMS) business for approximately $100 million in cash and recorded a net gain on disposal of $27.5 million. IDMS was part of our Other Businesses segment. In accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets,* we have accounted for IDMS as a discontinued operation and segregated its operating results from continuing operations in our statements of operations for all periods prior to the sale. Revenue and net loss from IDMS discontinued operations were $1.9 million and $0.7 million for the first six months of fiscal 2008. Revenue and net loss from IDMS discontinued operations were $12.7 million and $0.2 million for the second quarter of fiscal 2007 and $24.2 million and $1.9 million for the first six months of fiscal 2007.

Sale of Outsourced Payroll Assets

In March 2007 we sold certain assets related to our Complete Payroll and Premier Payroll Service business to Automated Data Processing, Inc. (ADP) for a purchase price of up to approximately $135 million in cash. The final purchase price is contingent upon the number of customers that transition to ADP. Due to customer attrition during the fourth quarter of fiscal 2007 and the first two quarters of fiscal 2008, we currently estimate the maximum sales price to be approximately $111 million and the maximum pre-tax net gain to be approximately $102 million. The assets were part of our Payroll and Payments segment. In accordance with the provisions of SFAS 144, we have not accounted for this transaction as a discontinued operation. We will recognize the net gain on the sale of the assets as customers are transitioned pursuant to the agreement over a period not to exceed one year from the date of the sale. In the second quarter and first six months of fiscal 2008 we recorded pre-tax net gains of $14.0 million and $38.0 million in our statement of operations for customers who transitioned to ADP during those periods. The total pre-tax net gain recognized from the inception of this transaction through January 31, 2008 was $69.6 million.

Liquidity and Capital Resources

Overview

At January 31, 2008, our cash, cash equivalents and investments totaled $837.2 million, a decrease of $466.5 million from July 31, 2007. Our primary source of liquidity has been cash from operations, which entails the collection of accounts receivable for products and services. Our primary uses of cash have been for research and development programs, selling and marketing activities, capital projects, debt service costs, repurchases of common stock and acquisitions of businesses.

At January 31, 2008, we held approximately $328 million in AAA rated municipal auction rate securities that were valued at reported market prices and classified as current assets. Auction rate securities are collateralized long-term debt instruments that provide liquidity through a Dutch auction process that resets the applicable interest rate at pre-determined intervals, typically every 35 days. Beginning in February 2008, auctions failed for approximately $140 million in par value of municipal auction rate securities we held because sell orders exceeded buy orders. When these auctions failed to clear, higher interest rates for those securities went into effect. However, the funds associated with these failed auctions will not be accessible until the issuer calls the security, a successful auction occurs, a buyer is found outside of the auction process, or the security matures. The underlying assets of the municipal auction rate securities we hold, including the securities for which auctions have failed, are generally student loans which are guaranteed by the U.S. government. We do not believe the carrying values of these municipal auction rate securities are impaired. In addition, we believe that we will be able to liquidate these investments without significant loss within the next 12 months. We are continuing to monitor the credit markets and may reclassify some or all of these securities from current assets to long-term assets in the future. Based on our

Table of Contents

expected operating cash flows and our other sources of cash, we do not believe that any reduction in liquidity of our municipal auction rate securities will have a material impact on our overall ability to meet our liquidity needs.

In connection with our acquisition of Digital Insight Corporation, in March 2007 we issued five-year and ten-year senior unsecured notes totaling $1 billion and used approximately $300 million of our cash balances. We also have a $500 million unsecured revolving line of credit facility that is described later in this Item 2. To date we have not borrowed under the facility.

The following table summarizes selected measures of our liquidity and capital resources at the dates indicated:

(Dollars in millions)	**January 31, 2008**	**July 31, 2007**	**$ Change**	**% Change**
Cash, cash equivalents and investments	$ 837.2	$ 1,303.7	$ (466.5)	(36%)
Long-term debt	997.9	997.8	0.1	0%
Working capital	482.3	791.8	(309.5)	(39%)
Ratio of current assets to current liabilities	1.3 : 1	1.7 : 1		

	Six Months Ended			
(In millions)	**January 31, 2008**	**January 31, 2007**	**$ Change**	**% Change**
Cash flow from continuing operations	$ 37.5	$ 106.4	$ (68.9)	(65%)
Acquisitions of businesses	(134.1)	(62.0)	(72.1)	116%
Proceeds from the sale of businesses	124.4		124.4	
Purchases of property and equipment	(121.9)	(52.9)	(69.0)	130%
Purchase of treasury stock	(500.0)	(205.4)	(294.6)	143%
Net proceeds from issuance of common stock under stock plans	115.3	124.2	(8.9)	(7%)

Operating Activities

During the first six months of fiscal 2008 we generated $37.5 million in cash from our continuing operations. This included net income of $94.4 million, adjustments for depreciation and amortization of $100.2 million, an adjustment for share-based compensation of $56.2 million, and seasonal working capital needs.

Investing Activities

Investing activities provided $305.3 million during the first six months of fiscal 2008, including the receipt of $443.3 million in cash from sales of investments and $124.4 million in cash from the sale of our Intuit Distribution Management Solutions business and certain outsourced payroll assets, partially offset by our use of $134.1 million in cash for acquisitions of businesses (primarily Homestead Technologies Inc.) and $121.9 million in cash for purchases of property and equipment.

Our expenditures for property and equipment and capitalized internal use software increased from a total of $52.9 million in the first six months of fiscal 2007 to a total of $121.9 million in the first six months of fiscal 2008. We expect our expenditures for property and equipment and capitalized internal use software to increase from a total of about $153 million in fiscal 2007 to approximately $300 million in fiscal 2008. This planned increase in capital expenditures is related to investments in a new data center and expansion of office capacity to support the expected growth in our business.

On December 18, 2007 we acquired all of the outstanding shares of Homestead Technologies Inc. for total consideration of approximately $170 million on a fully diluted basis. Homestead is a provider of Web site services to small businesses and became part of our QuickBooks segment.

On December 19, 2007 we entered into a definitive agreement to acquire Electronic Clearing House, Inc. (ECHO). Under the terms of the agreement, Intuit will pay $17.00 per share in cash for each share of ECHO common stock, including shares issuable upon exercise of options, for total consideration of approximately $131 million on a fully

diluted basis. ECHO is a provider of electronic payment processing services and will become part of our Payroll and

Table of Contents

Payments segment. The transaction is subject to ECHO shareholder approval and other customary closing conditions and is expected to close during the third quarter of fiscal 2008.

Financing Activities

We used $370.2 million in cash for financing activities during the first six months of fiscal 2008, including $500 million for the repurchase of common stock under our stock repurchase programs partially offset by $115.3 million from the issuance of common stock under employee stock plans.

Stock Repurchase Programs

Our Board of Directors has authorized a series of common stock repurchase programs. Shares of common stock repurchased under these programs become treasury shares. During the second quarter and first six months of fiscal 2008 we repurchased 8.2 million and 16.3 million shares of our common stock for $250 million and $500 million under our stock repurchase programs. We repurchased 6.7 million shares for $205.4 million under these programs during the same periods of fiscal 2007. At January 31, 2008, we had authorization from our Board to expend $300 million for future stock repurchases.

Unsecured Revolving Credit Facility

On March 22, 2007 we entered into an agreement with certain institutional lenders for a $500 million unsecured revolving credit facility that will expire on March 22, 2012. Advances under the credit facility will accrue interest at rates that are equal to, at our election, either Citibank s base rate or the London InterBank Offered Rate (LIBOR) plus a margin that ranges from 0.18% to 0.575% based on our senior debt credit ratings. The applicable interest rate will be increased by 0.05% for any period in which the total principal amount of advances and letters of credit under the credit facility exceeds $250 million. The agreement includes covenants that require us to maintain a ratio of total debt to annual earnings before interest, taxes, depreciation and amortization (EBITDA) of not greater than 3.25 to 1.00 and a ratio of annual EBITDA to interest payable of not less than 3.00 to 1.00. We were in compliance with these covenants at January 31, 2008. We may use amounts borrowed under this credit facility for general corporate purposes or for future acquisitions or expansion of our business. To date we have not borrowed under the credit facility, but we may borrow under the credit facility from time to time as opportunities and needs arise.

Liquidity and Capital Resource Requirements

We evaluate, on an ongoing basis, the merits of acquiring technology or businesses, or establishing strategic relationships with and investing in other companies. We may decide to use cash and cash equivalents, investments, and our revolving line of credit facility to fund such activities in the future.

Based on past performance and current expectations, we believe that our cash and cash equivalents, investments, and cash generated from operations will be sufficient to meet anticipated seasonal working capital needs, capital expenditure requirements, contractual obligations, commitments and other liquidity requirements associated with our operations for at least the next 12 months.

Reserves for Returns and Rebates

Activity in our reserves for product returns and for rebates during the first six months of fiscal 2008 and comparative balances at January 31, 2007 were as shown in the following table. Due to the seasonality of our business, we compare our returns and rebate reserve balances at January 31, 2008 to the reserve balances at January 31, 2007.

(In thousands)	Balance July 31, 2007	Additions Charged Against Revenue	Returns/ Redemptions	Balance January 31, 2008	Balance January 31, 2007
Reserve for product returns	$ 25,833	$ 87,894	$ (40,147)	$ 73,580	$ 68,028
Reserve for rebates	18,918	41,533	(19,248)	41,203	33,925

Table of Contents

The fiscal 2008 increase in our reserve for product returns was primarily driven by an increase in expected product returns associated with our French products in the Canadian retail channel. The fiscal 2008 increase in our reserve for rebates was due to increases in consumer tax and other retail promotions and to a new rebate offer in Canada.

Off-Balance Sheet Arrangements

At January 31, 2008, we did not have any significant off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of Regulation S-K.

Contractual Obligations

We presented our contractual obligations in our Annual Report on Form 10-K for the fiscal year ended July 31, 2007. Except as discussed below, there have been no significant changes in those obligations during the six months ended January 31, 2008.

Commitment for Interest Payments on Senior Notes

In connection with our acquisition of Digital Insight, on March 12, 2007 we issued $500 million of 5.40% senior unsecured notes due on March 15, 2012 and $500 million of 5.75% senior unsecured notes due on March 15, 2017 (together, the Notes). The Notes are redeemable by Intuit at any time, subject to a make-whole premium. Interest is payable semiannually on March 15 and September 15 beginning on September 15, 2007. At January 31, 2008, our maximum commitment for interest payments under the Notes was $394.2 million.

Commitments for Construction of Data Center

Due to our evolving business needs, we have begun executing a plan to build a new data center in the state of Washington to support our longer term hosting requirements. In January 2007 we purchased the land on which to build the data center and construction is underway. We expect to begin to occupy this facility in October 2008. At January 31, 2008, we had non-cancellable commitments totaling approximately $100 million for the construction of this data center.

Recent Accounting Pronouncements

SFAS 157, *Fair Value Measurements*

In September 2006 the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements.* SFAS 157 provides enhanced guidance for using fair value to measure assets and liabilities. The standard also responds to investors requests for expanded information about the extent to which companies measure assets and liabilities at fair value, the information used to measure fair value and the effect of fair value measurements on earnings. SFAS 157 applies whenever other standards require or permit assets or liabilities to be measured at fair value. This standard does not expand the use of fair value in any new circumstances. SFAS 157 is effective for fiscal years beginning after November 15, 2007, which means that it will be effective for our fiscal year beginning August 1, 2008. In February 2008 the FASB issued a Staff Position that partially defers the effective date of SFAS 157 for one year for non-financial assets and liabilities, except for items that are recognized or disclosed at fair value in an entity s financial statements on a recurring basis (at least annually). We are in the process of evaluating this standard and therefore have not yet determined the impact that the adoption of SFAS 157 will have on our financial position, results of operations or cash flows.

SFAS 159, *The Fair Value Option for Financial Assets and Financial Liabilities*

In February 2007 the FASB issued SFAS 159, *The Fair Value Option for Financial Assets and Financial Liabilities.* SFAS 159 provides companies with an option to report selected financial assets and liabilities at fair value. The standard s objective is to reduce both complexity in accounting for financial instruments and the volatility in earnings caused by measuring related assets and liabilities differently. The standard requires companies to provide additional information that will help investors and other users of financial statements to more easily understand the effect of the company s choice to use fair value on its earnings. It also requires companies to display the fair value of those assets and liabilities for which the company has chosen to use fair value on the face of the

Table of Contents

balance sheet. The new standard does not eliminate disclosure requirements included in other accounting standards, including requirements for disclosures about fair value measurements included in SFAS 157, *Fair Value Measurements,* and SFAS 107, *Disclosures about Fair Value of Financial Instruments.* SFAS 159 is effective for fiscal years beginning after November 15, 2007, which means that it will be effective for our fiscal year beginning August 1, 2008. We are in the process of evaluating this standard and therefore have not yet determined the impact that the adoption of SFAS 159 will have on our financial position, results of operations or cash flows.

SFAS 141 (revised 2007), *Business Combinations*

In December 2007 the FASB issued SFAS 141 (revised 2007), *Business Combinations.* SFAS 141R will significantly change the accounting for business combinations in a number of areas, including the measurement of assets and liabilities acquired and the treatment of contingent consideration, contingencies, acquisition costs, in-process research and development and restructuring costs. In addition, under SFAS 141R, changes in deferred tax asset valuation allowances and acquired income tax uncertainties in a business combination after the measurement period will impact the income tax provision. SFAS 141R is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning after December 15, 2008, which means that it will be effective for our fiscal year beginning August 1, 2009. Early adoption is prohibited. We are in the process of evaluating this standard and therefore have not yet determined the impact that the adoption of SFAS 141R will have on our financial position, results of operations or cash flows.

SFAS 160, *Noncontrolling Interests in Consolidated Financial Statements*

In December 2007 the FASB issued SFAS 160, *Noncontrolling Interests in Consolidated Financial Statements,* which establishes accounting and reporting standards for the noncontrolling (minority) interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS 160 is effective for business arrangements entered into in fiscal years beginning on or after December 15, 2008, which means that it will be effective for our fiscal year beginning August 1, 2009. Early adoption is prohibited. We are in the process of evaluating this standard and therefore have not yet determined the impact that the adoption of SFAS 160 will have on our financial position, results of operations or cash flows.

Table of Contents

ITEM 3
QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Investments

We do not hold derivative financial instruments in our portfolio of investments. Our investments consist of instruments that meet quality standards consistent with our investment policy. This policy specifies that, except for direct obligations of the United States government, securities issued by agencies of the United States government, and money market or cash management funds, we diversify our holdings by limiting our investments and funds held for payroll customers with any individual issuer.

See Note 2 to the financial statements in Part I, Item 1; Management s Discussion and Analysis of Financial Condition and Results of Operations, *Liquidity and Capital Resources,* in Part I, Item 2; and Risk Factors in Part II, Item 1A of this Quarterly Report on Form 10-Q for a description of recent market events that may affect the liquidity of certain municipal auction rate securities that we held at January 31, 2008.

Interest Rate Risk

Our cash equivalents and our portfolio of investments and funds held for payroll customers are subject to market risk due to changes in interest rates. Interest rate movements affect the interest income we earn on cash equivalents, investments and funds held for payroll customers and the value of those investments. Should the Federal Reserve Target Rate increase by 10% or about 32 basis points from the levels of January 31, 2008, the value of our investments and funds held for payroll customers would decline by approximately $0.8 million. Should interest rates increase by 100 basis points from the levels of January 31, 2008, the value of our investments and funds held for payroll customers would decline by approximately $2.5 million.

We are also exposed to the impact of changes in interest rates as they affect our $500 million revolving credit facility. Advances under the credit facility accrue interest at rates that are equal to Citibank s base rate or the London InterBank Offered Rate (LIBOR) plus a margin that ranges from 0.18% to 0.575% based on our senior debt credit ratings. Consequently, our interest expense would fluctuate with changes in the general level of these interest rates if we were to borrow any amounts under the credit facility. At January 31, 2008, no amounts were outstanding under the credit facility.

In connection with our acquisition of Digital Insight, on March 12, 2007 we issued $500 million of 5.40% senior unsecured notes due on March 15, 2012 and $500 million of 5.75% senior unsecured notes due on March 15, 2017. Since these senior notes bear interest at fixed rates, they are not subject to market risk due to changes in interest rates.

Impact of Foreign Currency Rate Changes

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

Since we translate foreign currencies (primarily Canadian dollars, British pounds and Indian rupees) into U.S. dollars for financial reporting purposes, currency fluctuations can have an impact on our financial results. The historical impact of currency fluctuations on our financial results has generally been immaterial. We believe that our exposure to currency exchange fluctuation risk is not significant because our international subsidiaries invoice customers and satisfy their financial obligations almost exclusively in their local currencies. Although the impact of currency fluctuations on our financial results has generally been immaterial in the past and we believe that for the reasons cited above currency fluctuations will not be significant in the future, there can be no guarantee that the impact of currency fluctuations will not be material in the future. As of January 31, 2008, we did not engage in foreign currency hedging activities.

Table of Contents

ITEM 4
CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Based upon an evaluation of the effectiveness of disclosure controls and procedures, Intuit s Chief Executive Officer (CEO) and Chief Financial Officer (CFO) have concluded that as of the end of the period covered by this Quarterly Report on Form 10-Q our disclosure controls and procedures as defined under Exchange Act Rule 13a-15(e) and 15d-15(e) were effective to provide reasonable assurance that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission and is accumulated and communicated to management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

During our most recent fiscal quarter, there has not occurred any change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

PART II
ITEM 1
LEGAL PROCEEDINGS

See Note 11 to the financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for a description of legal proceedings.

Table of Contents

ITEM 1A
RISK FACTORS

This Quarterly Report on Form 10-Q contains forward-looking statements. All statements in this report, other than statements that are purely historical, are forward-looking statements. Words such as expects, anticipates, intends, plans, believes, forecasts, estimates, seeks, and similar expressions also identify forward-looking statements. In report, forward-looking statements include, without limitation, the following:

- our expectations and beliefs regarding future conduct and growth of the business;
- the assumptions underlying our Critical Accounting Policies and Estimates, including our estimates regarding product rebate and return reserves; stock volatility and other assumptions used to estimate the fair value of share-based compensation; and expected future amortization of purchased intangible assets;
- our belief that we will be able to liquidate our investments in municipal auction rate securities without significant loss within the next 12 months;
- our belief that any reduction in liquidity of our municipal auction rate securities will not have a material impact on our overall ability to meet our liquidity needs;
- our belief that our exposure to currency exchange fluctuation risk will not be significant in the future;
- our assessments and estimates that determine our effective tax rate;
- our belief that our cash, cash equivalents and investments will be sufficient to meet our working capital needs, capital expenditure requirements and similar commitments for at least the next 12 months;
- the expected increase in expenditures for property and equipment and capitalized internal use software related to investments in infrastructure, offices and data centers;
- our beliefs regarding seasonality and other trends for our businesses;
- our assessments and beliefs regarding the future outcome of pending legal proceedings and the liability, if any, that Intuit may incur as a result of those proceedings;
- our expectations regarding the costs and other effects of acquisition and disposition transactions;
- our expectation regarding the closing of the ECHO acquisition; and
- the expected effects of the adoption of new accounting standards.

We caution investors that forward-looking statements are only predictions based on our current expectations about future events and are not guarantees of future performance. We encourage you to read carefully all information provided in this Quarterly Report and in our other filings with the SEC before deciding to invest in our stock or to maintain or change your investment. These forward-looking statements are based on information as of the filing date of this Quarterly Report, and we undertake no obligation to publicly revise or update any forward-looking statement for any reason.

Because forward-looking statements involve risks and uncertainties, there are important factors that may cause actual results to differ materially from those contained in the forward-looking statements. These factors include the following:

We face intense competitive pressures in all of our businesses that may harm our operating results.

Future revenue growth for our core products depends upon our successful introduction of new and enhanced products and services.

If we fail to maintain reliable and responsive service levels for our electronic tax offerings, or if the IRS or other governmental agencies experience difficulties in receiving customer submissions, we could lose customers and our revenue and earnings could decrease.

The nature of our products necessitates timely product launches and if we experience significant product quality problems or delays, it will harm our revenue, earnings and reputation.

Our businesses collect, use and retain personal customer information and enable customer transactions, which presents security risks, requires us to incur expenses and could harm our business.

Our revenue and earnings are highly seasonal and our quarterly results fluctuate significantly.

The growth of our business depends on our ability to adapt to rapid technological change.

Interruption or failure of our information technology and communications systems could compromise the availability and security of our online products and services, which could damage our reputation and harm our operating results.

Our reliance on a limited number of manufacturing and distribution suppliers could harm our business.

Table of Contents

As our product and service offerings become more complex our revenue streams may become less predictable.

We face a number of risks in our merchant card processing business that could result in a reduction in our revenue and earnings.

Risks associated with our financial institutions business may harm our results of operations and financial condition.

Our dependence on a small number of larger retailers and distributors could harm our results of operations.

Increased government regulation of our businesses could harm our operating results.

If we do not respond promptly and effectively to customer service and technical support inquiries we will lose customers and our revenue and earnings will decline.

If we encounter problems with our third-party customer service and technical support providers our business will be harmed.

We are exposed to risks associated with credit card and payment fraud and with credit card processing.

If we fail to adequately protect our intellectual property rights, competitors may exploit our innovations, which could weaken our competitive position and reduce our revenue and earnings.

Third parties claiming that we infringe their proprietary rights could cause us to incur significant legal expenses and prevent us from selling our products.

We expect copying and misuse of our intellectual property to be a persistent problem causing lost revenue and increased expenses.

We do not own all of the software, other technologies and content used in our products and services.

Our acquisition and divestiture activity could disrupt our ongoing business, may involve increased expenses and may present risks not contemplated at the time of the transactions.

We have issued $1 billion in a debt offering and may incur other debt in the future, which could adversely affect our financial condition and results of operations.

If actual product returns exceed returns reserves our financial results would be harmed.

Acquisition-related costs and impairment charges can cause significant fluctuation in our net income.

If we fail to operate our payroll business effectively our revenue and earnings will be harmed.

Interest income attributable to payroll customer deposits may fluctuate or be eliminated, causing our revenue and earnings to decline.

We may be unable to attract and retain key personnel.

We are frequently a party to litigation that is costly to defend and consumes the time of our management.

Unanticipated changes in our tax rates could affect our future financial results.

If we fail to maintain an effective system of internal controls, we may not be able to detect fraud or report our financial results accurately, which could harm our business and the trading price of our common stock.

Business interruptions could adversely affect our future operating results.

This list does not include all risks that could affect our business, and if these or any other risks or uncertainties materialize, or if our underlying assumptions prove to be inaccurate, actual results could differ materially from past results and from our expected future results.

Our Annual Report on Form 10-K for the fiscal year ended July 31, 2007 lists in more detail various important risk factors facing our business in Part I, Item 1A under the heading *Risk Factors.* Except as set forth below, there have been no material changes from the risk factors disclosed in that section of our Form 10-K. We incorporate that section of the Form 10-K into this filing and encourage you to review that information. We also encourage you to review our other reports filed periodically with the Securities and Exchange Commission for any further information regarding risks facing our business.

Our investments in auction rate securities are subject to risks that may cause losses and affect the liquidity of these investments.

At January 31, 2008, we held approximately $328 million in AAA-rated municipal auction rate securities that were valued at reported market prices and classified as current assets. Beginning in February 2008, auctions failed for approximately $140 million in par value of municipal auction rate securities we held because sell orders exceeded buy orders. We may not be able to liquidate these investments and realize their full carrying value unless the issuer calls the security, a successful auction occurs, a buyer is found outside of the auction process, or the security matures. We do not believe the carrying values of these municipal auction rate securities are impaired, and we

Table of Contents

believe that we will be able to liquidate these investments without significant loss within the next 12 months. However, if the issuers of these securities are unable to successfully close future auctions and their credit ratings are lowered, we may be required to record future impairment charges related to these investments, which would harm our results of operations. If we are unable to find alternate means to liquidate these investments, we may have to reclassify all or a portion of these investments from current assets to long-term assets in future periods, and we may not realize the value of the investments until the final maturity of the underlying securities (up to 36 years).

Table of Contents

ITEM 2
UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS
PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

Stock repurchase activity during the three months ended January 31, 2008 was as follows:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans
November 1, 2007 through November 30, 2007	2,428,300	$ 30.24	2,428,300	$ 476,559,949
December 1, 2007 through December 31, 2007	3,797,956	$ 30.37	3,797,956	$ 361,215,691
January 1, 2008 through January 31, 2008	2,000,279	$ 30.60	2,000,279	$ 300,002,048
Total	8,226,535	$ 30.39	8,226,535	

Notes:

1. All shares purchased as part of publicly announced plans during the three months ended January 31, 2008 were purchased under a plan we announced on May 17, 2007 under which we are authorized to repurchase up to $800 million of our common stock from time to time over a three-year

period ending
on May 14,
2010.

Table of Contents

ITEM 4
SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

At Intuit s Annual Meeting of Stockholders held on December 14, 2007, our stockholders voted as follows on the proposals below:

1. Proposal to elect directors:

	For	Withheld
Stephen M. Bennett	293,469,080	6,747,536
Christopher W. Brody	291,360,392	8,856,224
William V. Campbell	293,237,294	6,979,322
Scott D. Cook	293,454,435	6,762,181
Diane B. Greene	296,651,339	3,565,277
Michael R. Hallman	292,033,439	8,183,177
Edward A. Kangas	295,411,665	4,804,951
Suzanne Nora Johnson	296,633,271	3,583,345
Dennis D. Powell	296,739,054	3,477,562
Stratton D. Sclavos	280,919,618	19,296,998

All 10 nominees were elected to the board of directors.

2. Proposal to ratify the selection of Ernst & Young LLP as Intuit s independent registered public accounting firm for fiscal 2008:

For	297,808,897
Against	332,977
Abstain	2,074,741
Broker Non-Votes	0

3. Proposal to approve amendment of Intuit s 2005 Equity Incentive Plan:

For	204,782,607
Against	66,532,369
Abstain	2,296,427
Broker Non-Votes	26,605,213

4. Proposal to approve adoption of Intuit s Senior Executive Incentive Plan:

For	262,527,913
Against	8,791,931
Abstain	2,291,560
Broker Non-Votes	26,605,212

Table of Contents

ITEM 6
EXHIBITS

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

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference
10.01+	Intuit Inc. 2005 Equity Incentive Plan, as amended through December 14, 2007 (incorporated by reference to Exhibit 99.01 of the registration statement on Form S-8 (Registration No. 333-148112) filed by the Registrant on December 17, 2007)		X
10.02+	Intuit Inc. Senior Executive Incentive Plan (incorporated by reference to Exhibit 10.02 of the report on Form 8-K filed by the Registrant on December 17. 2007)		X
10.03+	Separation Terms and General Release Agreement by and between Intuit Inc. and Mr. Jeffrey E. Stiefler, dated February 4, 2008 (incorporated by reference to Exhibit 10.01 of the report on Form 8-K filed by the Registrant on February 8, 2008)		X
31.01	Certification of Chief Executive Officer	X	
31.02	Certification of Chief Financial Officer	X	
32.01	Section 1350 Certification (Chief Executive Officer)	X	
32.02	Section 1350 Certification (Chief Financial Officer)	X	

+ Indicates a management contract or compensatory plan or arrangement.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

INTUIT INC.
(Registrant)

Date: February 29, 2008

By: /s/ R. NEIL WILLIAMS
R. Neil Williams
Senior Vice President and Chief Financial Officer
(Authorized Officer and Principal Financial Officer)

Table of Contents

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