

# INTUIT INC

## FORM 10-Q (Quarterly Report)

Filed 05/21/14 for the Period Ending 04/30/14

Address	2700 COAST AVENUE MOUNTAIN VIEW, CA 94043
Telephone	650-944-6000
CIK	0000896878
Symbol	INTU
SIC Code	7372 - Prepackaged Software
Industry	Software & Programming
Sector	Technology
Fiscal Year	07/31

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

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**FORM 10-Q**

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
**For the quarterly period ended April 30, 2014**

**OR**

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

**Commission File Number 0-21180**

**intuit.**

**INTUIT INC.**

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

**Delaware**  
*(State of incorporation)*

**77-0034661**  
*(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  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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       Accelerated filer       Non-accelerated filer       Smaller reporting company   
(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  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. 283,886,921 shares of Common Stock, \$0.01 par value, were outstanding at May 14, 2014.

**PART I FINANCIAL INFORMATION**

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EX-101.INS XBRL Instance Document	
EX-101.SCH XBRL Taxonomy Extension Schema	
EX-101.CAL XBRL Taxonomy Extension Calculation Linkbase	
EX-101.LAB XBRL Taxonomy Extension Label Linkbase	
EX-101.PRE XBRL Taxonomy Extension Presentation Linkbase	
EX-101.DEF XBRL Taxonomy Extension Definition Linkbase	

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**FINANCIAL STATEMENTS**

**INTUIT INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited)

<i>(In millions, except per share amounts)</i>	Three Months Ended		Nine Months Ended	
	April 30, 2014	April 30, 2013	April 30, 2014	April 30, 2013
Net revenue:				
Product	\$ 735	\$ 638	\$ 1,251	\$ 1,267
Service and other	1,653	1,453	2,541	2,270
Total net revenue	2,388	2,091	3,792	3,537
Costs and expenses:				
Cost of revenue:				
Cost of product revenue	34	30	108	102
Cost of service and other revenue	130	110	363	334
Amortization of acquired technology	6	5	18	14
Selling and marketing	412	385	1,022	963
Research and development	186	166	548	503
General and administrative	121	106	348	307
Amortization of other acquired intangible assets	5	7	14	21
Total costs and expenses	894	809	2,421	2,244
Operating income from continuing operations	1,494	1,282	1,371	1,293
Interest expense	(8)	(8)	(24)	(23)
Interest and other income, net	3	4	8	7
Income before income taxes	1,489	1,278	1,355	1,277
Income tax provision	505	420	465	408
Net income from continuing operations	984	858	890	869
Net income (loss) from discontinued operations	—	(36)	46	5
Net income	\$ 984	\$ 822	\$ 936	\$ 874
Basic net income per share from continuing operations	\$ 3.47	\$ 2.89	\$ 3.12	\$ 2.93
Basic net income (loss) per share from discontinued operations	—	(0.12)	0.16	0.02
Basic net income per share	\$ 3.47	\$ 2.77	\$ 3.28	\$ 2.95
Shares used in basic per share calculations	284	297	285	296
Diluted net income per share from continuing operations	\$ 3.39	\$ 2.83	\$ 3.06	\$ 2.87
Diluted net income (loss) per share from discontinued operations	—	(0.12)	0.16	0.02
Diluted net income per share	\$ 3.39	\$ 2.71	\$ 3.22	\$ 2.89
Shares used in diluted per share calculations	290	304	291	303
Dividends declared per common share	\$ 0.19	\$ 0.17	\$ 0.57	\$ 0.51

See accompanying notes.

**INTUIT INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(Unaudited)

<i>(In millions)</i>	Three Months Ended		Nine Months Ended	
	April 30, 2014	April 30, 2013	April 30, 2014	April 30, 2013
Net income	\$ 984	\$ 822	\$ 936	\$ 874
Other comprehensive income (loss), net of income taxes:				
Unrealized gains on available-for-sale debt securities	—	—	2	—
Unrealized gains (losses) on available-for-sale equity securities	(1)	—	(5)	3
Foreign currency translation gains (losses)	3	—	(5)	1
Total other comprehensive income (loss), net	2	—	(8)	4
Comprehensive income	<u>\$ 986</u>	<u>\$ 822</u>	<u>\$ 928</u>	<u>\$ 878</u>

See accompanying notes.

**INTUIT INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(Unaudited)

<i>(In millions)</i>	April 30, 2014	July 31, 2013
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,574	\$ 1,009
Investments	1,059	652
Accounts receivable, net	277	130
Income taxes receivable	2	62
Deferred income taxes	137	166
Prepaid expenses and other current assets	116	98
Current assets of discontinued operations	—	44
Current assets before funds held for customers	3,165	2,161
Funds held for customers	273	235
Total current assets	3,438	2,396
Long-term investments	31	83
Property and equipment, net	566	555
Goodwill	1,313	1,246
Acquired intangible assets, net	155	149
Other assets	107	102
Long-term assets of discontinued operations	—	955
Total assets	<u>\$ 5,610</u>	<u>\$ 5,486</u>

**LIABILITIES AND STOCKHOLDERS' EQUITY**

Current liabilities:		
Accounts payable	\$ 193	\$ 137
Accrued compensation and related liabilities	215	218
Deferred revenue	499	495
Income taxes payable	277	2
Other current liabilities	226	154
Current liabilities of discontinued operations	—	39
Current liabilities before customer fund deposits	1,410	1,045
Customer fund deposits	273	235

Total current liabilities	1,683	1,280
Long-term debt	499	499
Other long-term obligations	190	167
Long-term obligations of discontinued operations	—	9
Total liabilities	2,372	1,955
Commitments and contingencies		
Stockholders' equity:		
Preferred stock	—	—
Common stock and additional paid-in capital	3,471	3,201
Treasury stock, at cost	(6,278)	(4,952)
Accumulated other comprehensive income	12	20
Retained earnings	6,033	5,262
Total stockholders' equity	3,238	3,531
Total liabilities and stockholders' equity	\$ 5,610	\$ 5,486

See accompanying notes.

**INTUIT INC.**

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY  
(Unaudited)

	Shares of Common Stock	Common Stock and Additional Paid-In Capital	Treasury Stock	Accumulated Other Comprehensive Income	Retained Earnings	Total Stockholders' Equity
<i>(In millions, except shares in thousands)</i>						
<b>Balance at July 31, 2013</b>	<b>299,503</b>	<b>\$ 3,201</b>	<b>\$ (4,952)</b>	<b>\$ 20</b>	<b>\$ 5,262</b>	<b>\$ 3,531</b>
Comprehensive income	—	—	—	(8)	936	928
Issuance of stock under employee stock plans	5,267	70	99	—	—	169
Stock repurchases under stock repurchase programs	(20,507)	—	(1,425)	—	—	(1,425)
Cash dividends declared (\$0.57 per share)	—	—	—	—	(165)	(165)
Tax benefit from share-based compensation plans	—	52	—	—	—	52
Share-based compensation expense	—	148	—	—	—	148
<b>Balance at April 30, 2014</b>	<b>284,263</b>	<b>\$ 3,471</b>	<b>\$ (6,278)</b>	<b>\$ 12</b>	<b>\$ 6,033</b>	<b>\$ 3,238</b>

	Shares of Common Stock	Common Stock and Additional Paid-In Capital	Treasury Stock	Accumulated Other Comprehensive Income	Retained Earnings	Total Stockholders' Equity
<i>(In millions, except shares in thousands)</i>						
<b>Balance at July 31, 2012</b>	<b>295,289</b>	<b>\$ 3,018</b>	<b>\$ (4,911)</b>	<b>\$ 25</b>	<b>\$ 4,612</b>	<b>\$ 2,744</b>
Comprehensive income	—	—	—	4	874	878
Issuance of treasury stock under employee stock plans	6,274	20	165	—	—	185
Stock repurchases under stock repurchase programs	(4,820)	—	(292)	—	—	(292)
Cash dividends declared (\$0.51 per share)	—	—	—	—	(152)	(152)
Tax benefit from share-based compensation plans	—	65	—	—	—	65
Share-based compensation expense	—	142	—	—	—	142
<b>Balance at April 30, 2013</b>	<b>296,743</b>	<b>\$ 3,245</b>	<b>\$ (5,038)</b>	<b>\$ 29</b>	<b>\$ 5,334</b>	<b>\$ 3,570</b>

See accompanying notes.

**INTUIT INC.**

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

<i>(In millions)</i>	Nine Months Ended	
	April 30, 2014	April 30, 2013
<b>Cash flows from operating activities:</b>		
Net income	\$ 936	\$ 874
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	110	124
Amortization of acquired intangible assets	37	45
Goodwill and intangible asset impairment charge	—	46
Share-based compensation expense	148	142
Pre-tax gain on sale of discontinued operations	(40)	(53)
Deferred income taxes	62	52
Tax benefit from share-based compensation plans	52	65
Excess tax benefit from share-based compensation plans	(52)	(65)
Other	16	12
Total adjustments	333	368
Changes in operating assets and liabilities:		
Accounts receivable	(148)	(129)
Income taxes receivable	60	52
Prepaid expenses and other assets	(18)	(3)
Accounts payable	56	76
Accrued compensation and related liabilities	(18)	(20)
Deferred revenue	(9)	(11)
Income taxes payable	275	274
Other liabilities	63	79
Total changes in operating assets and liabilities	261	318
<b>Net cash provided by operating activities</b>	<b>1,530</b>	<b>1,560</b>
<b>Cash flows from investing activities:</b>		
Purchases of available-for-sale debt securities	(917)	(675)
Sales of available-for-sale debt securities	218	279
Maturities of available-for-sale debt securities	318	165
Net change in money market funds and other cash equivalents held to satisfy customer fund obligations	(38)	106
Net change in customer fund deposits	38	(106)
Purchases of property and equipment	(121)	(147)
Acquisitions of businesses, net of cash acquired	(90)	(9)
Acquisitions of intangible assets, net of cash acquired	(10)	(2)
Proceeds from divestiture of businesses	1,025	60
Other	(4)	(18)
<b>Net cash provided by (used in) investing activities</b>	<b>419</b>	<b>(347)</b>
<b>Cash flows from financing activities:</b>		
Net proceeds from issuance of stock under employee stock plans	161	185
Purchases of treasury stock	(1,425)	(292)
Cash dividends paid to stockholders	(165)	(152)
Excess tax benefit from share-based compensation plans	52	65
<b>Net cash used in financing activities</b>	<b>(1,377)</b>	<b>(194)</b>
Effect of exchange rates on cash and cash equivalents	(7)	—
<b>Net increase in cash and cash equivalents</b>	<b>565</b>	<b>1,019</b>
Cash and cash equivalents at beginning of period	1,009	393
<b>Cash and cash equivalents at end of period</b>	<b>\$ 1,574</b>	<b>\$ 1,412</b>

See accompanying notes.

**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 businesses, consumers, and accounting professionals. With flagship products and services that include QuickBooks, TurboTax and Quicken, we help customers solve important business and financial management problems such as running a small business, paying bills, filing income tax returns, and managing personal finances. ProSeries and Lacerte are Intuit's tax preparation offerings for professional accountants. Intuit was incorporated in 1984 and is headquartered in Mountain View, California.

*Basis of Presentation*

These condensed consolidated financial statements include the financial statements of Intuit and its wholly owned subsidiaries. We have eliminated all significant intercompany balances and transactions in consolidation. We have included all adjustments, consisting only of normal recurring items, which we considered necessary for a fair presentation of our financial results for the interim periods presented. 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. See Note 4, "Discontinued Operations," and Note 10, "Segment Information," for more information.

As discussed in Note 4, we sold our Intuit Websites business in September 2012. In August 2013 we sold our Intuit Financial Services (IFS) business and our Intuit Health business. We have reclassified our statements of operations for all periods presented to reflect these three businesses as discontinued operations. We have also segregated the net assets of IFS from continuing operations on our balance sheet at July 31, 2013. The net assets of Intuit Websites and Intuit Health were not significant, so we have not segregated them from continuing operations on our balance sheet at July 31, 2013. Because the cash flows of our Intuit Websites, IFS, and Intuit Health discontinued operations were not material for any period presented, we have not segregated the cash flows of those businesses from continuing operations on our statements of cash flows. Unless noted otherwise, discussions in these notes pertain to our continuing operations.

These unaudited condensed consolidated financial statements and accompanying notes should be read together with the audited consolidated financial statements in Item 8 of our Annual Report on Form 10-K for the fiscal year ended July 31, 2013 . Results for the nine months ended April 30, 2014 do not necessarily indicate the results we expect for the fiscal year ending July 31, 2014 or any other future period.

*Seasonality*

Our QuickBooks, Consumer Tax, and Professional Tax offerings are highly seasonal. Revenue from our QuickBooks software products tends to be highest during our second and third fiscal 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. During these quarters, revenue from our tax businesses is minimal while core operating expenses such as research and development continue at relatively consistent levels.

*Significant Accounting Policies*

We describe our significant accounting policies in Note 1 to the financial statements in Item 8 of our Annual Report on Form 10-K for the fiscal year ended July 31, 2013 . There have been no changes to our significant accounting policies during the first nine months of fiscal 2014 .

*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 include shares issuable upon the exercise of stock options and upon the vesting of restricted stock units (RSUs) under the treasury stock method.

We include stock options with combined exercise prices, unrecognized compensation expense and tax benefits that are less than the average market price for our common stock, and RSUs with unrecognized compensation expense and tax benefits that are 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, unrecognized compensation expense and tax benefits that are greater than the average

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market price for our common stock, and RSUs with unrecognized compensation expense and tax benefits that are 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.

In loss periods, basic net loss per share and diluted net loss per share are the same since the effect of potential common shares is anti-dilutive and therefore excluded.

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

	Three Months Ended		Nine Months Ended	
	April 30, 2014	April 30, 2013	April 30, 2014	April 30, 2013
<i>(In millions, except per share amounts)</i>				
<b>Numerator:</b>				
Net income from continuing operations	\$ 984	\$ 858	\$ 890	\$ 869
Net income (loss) from discontinued operations	—	(36)	46	5
Net income	<u>\$ 984</u>	<u>\$ 822</u>	<u>\$ 936</u>	<u>\$ 874</u>
<b>Denominator:</b>				
Shares used in basic per share amounts:				
Weighted average common shares outstanding	<u>284</u>	<u>297</u>	<u>285</u>	<u>296</u>
Shares used in diluted per share amounts:				
Weighted average common shares outstanding	284	297	285	296
Dilutive common equivalent shares from stock options and restricted stock awards	<u>6</u>	<u>7</u>	<u>6</u>	<u>7</u>
Dilutive weighted average common shares outstanding	<u>290</u>	<u>304</u>	<u>291</u>	<u>303</u>
<b>Basic and diluted net income per share:</b>				
Basic net income per share from continuing operations	\$ 3.47	\$ 2.89	\$ 3.12	\$ 2.93
Basic net income (loss) per share from discontinued operations	—	(0.12)	0.16	0.02
Basic net income per share	<u>\$ 3.47</u>	<u>\$ 2.77</u>	<u>\$ 3.28</u>	<u>\$ 2.95</u>
Diluted net income per share from continuing operations	\$ 3.39	\$ 2.83	\$ 3.06	\$ 2.87
Diluted net income (loss) per share from discontinued operations	—	(0.12)	0.16	0.02
Diluted net income per share	<u>\$ 3.39</u>	<u>\$ 2.71</u>	<u>\$ 3.22</u>	<u>\$ 2.89</u>
<b>Shares excluded from computation of diluted net income per share:</b>				
Weighted average stock options and restricted stock units excluded from computation due to anti-dilutive effect	<u>—</u>	<u>3</u>	<u>3</u>	<u>3</u>

### Concentration of Credit Risk and Significant Customers

No customer accounted for 10% or more of total net revenue in the three or nine months ended April 30, 2014 or April 30, 2013. No customer accounted for 10% or more of gross accounts receivable at April 30, 2014 or July 31, 2013.



*Recent Accounting Pronouncements*

In April 2014 the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-08, “Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity.” This update raises the threshold for a disposal to qualify as a discontinued operation and requires new disclosures for discontinued operations and disposals that do not meet the definition of a discontinued operation. ASU 2014-08 is effective prospectively for fiscal years, and interim periods within those years, beginning after December 15, 2014, which means that it will be effective for our fiscal year beginning August 1, 2015. We are in the process of evaluating this update and therefore have not yet determined the impact that adoption of ASU 2014-08 will have on our consolidated financial statements.

**2. Fair Value Measurements**

The authoritative guidance defines fair value as the price that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. When determining fair value, we consider the principal or most advantageous market for an asset or liability and assumptions that market participants would use when pricing the asset or liability. In addition, we consider and use all valuation methods that are appropriate in estimating the fair value of an asset or liability.

The authoritative guidance establishes a fair value hierarchy that is based on the extent and level of judgment used to estimate the fair value of assets and liabilities. In general, the authoritative guidance requires us to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. An asset or liability’s categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the measurement of its fair value. The three levels of input defined by the authoritative guidance are as follows:

- **Level 1** uses unadjusted quoted prices that are available in active markets for identical assets or liabilities.
- **Level 2** uses inputs other than quoted prices included in Level 1 that are either directly or indirectly observable through correlation with market data. These include quoted prices in active markets for similar assets or liabilities; quoted prices for identical or similar assets or liabilities in markets that are not active; and inputs to valuation models or other pricing methodologies that do not require significant judgment because the inputs used in the model, such as interest rates and volatility, can be corroborated by readily observable market data for substantially the full term of the assets or liabilities.
- **Level 3** uses one or more significant inputs that are supported by little or no market activity and that are significant to the determination of fair value. Level 3 assets and liabilities include those whose fair value measurements are determined using pricing models, discounted cash flow methodologies or similar valuation techniques and significant management judgment or estimation.

*Assets and Liabilities Measured at Fair Value on a Recurring Basis*

The following table summarizes financial assets and financial liabilities that we measured at fair value on a recurring basis at the dates indicated, classified in accordance with the fair value hierarchy described above.

(In millions)	April 30, 2014				July 31, 2013			
	Level 1	Level 2	Level 3	Total Fair Value	Level 1	Level 2	Level 3	Total Fair Value
<b>Assets:</b>								
Cash equivalents, primarily money market funds	\$ 1,135	\$ —	\$ —	\$ 1,135	\$ 917	\$ —	\$ —	\$ 917
Available-for-sale debt securities:								
Municipal bonds	—	664	—	664	—	489	—	489
Corporate notes	—	445	—	445	—	269	—	269
U.S. agency securities	—	98	—	98	—	69	—	69
Municipal auction rate securities	—	—	21	21	—	—	33	33
Available-for-sale corporate equity securities	27	—	—	27	33	—	—	33
Total available-for-sale securities	27	1,207	21	1,255	33	827	33	893
Total assets measured at fair value on a recurring basis	\$ 1,162	\$ 1,207	\$ 21	\$ 2,390	\$ 950	\$ 827	\$ 33	\$ 1,810
<b>Liabilities:</b>								
Senior notes (1)	\$ —	\$ 561	\$ —	\$ 561	\$ —	\$ 560	\$ —	\$ 560

(1) Carrying value on our balance sheet at April 30, 2014 was \$499 million and at July 31, 2013 was \$499 million. See Note 6.

The following table summarizes our cash equivalents and available-for-sale debt and equity securities by balance sheet classification and level in the fair value hierarchy at the dates indicated.

(In millions)	April 30, 2014				July 31, 2013			
	Level 1	Level 2	Level 3	Total Fair Value	Level 1	Level 2	Level 3	Total Fair Value
<b>Cash equivalents:</b>								
In cash and cash equivalents	\$ 1,037	\$ —	\$ —	\$ 1,037	\$ 857	\$ —	\$ —	\$ 857
In funds held for customers	98	—	—	98	60	—	—	60
Total cash equivalents	\$ 1,135	\$ —	\$ —	\$ 1,135	\$ 917	\$ —	\$ —	\$ 917
<b>Available-for-sale securities:</b>								
In investments	\$ 27	\$ 1,032	\$ —	\$ 1,059	\$ —	\$ 652	\$ —	\$ 652
In funds held for customers	—	175	—	175	—	175	—	175
In long-term investments	—	—	21	21	33	—	33	66
Total available-for-sale securities	\$ 27	\$ 1,207	\$ 21	\$ 1,255	\$ 33	\$ 827	\$ 33	\$ 893

We value our Level 1 assets, consisting primarily of money market funds, using quoted prices in active markets for identical instruments. Financial assets whose fair values we measure on a recurring basis using Level 2 inputs consist of municipal bonds, corporate notes, and U.S. agency securities. We measure the fair values of these assets with the help of a pricing service that either provides quoted market prices in active markets for identical or similar securities or uses observable inputs for their pricing without applying significant adjustments. Our fair value processes include controls that are designed to ensure that we record appropriate fair values for our Level 2 investments. These controls include comparison to pricing provided by a secondary pricing service or investment manager, validation of pricing sources and models, review of key model inputs, analysis of period-over-period price fluctuations, and independent recalculation of prices where appropriate.

Financial liabilities whose fair values we measure using Level 2 inputs consist of debt. See Note 6, “*Long-Term Obligations*,” for more information. We measure the fair value of our senior notes based on their trading prices and the interest rates we could obtain for other borrowings with similar terms.

Financial assets whose fair values we measure using significant unobservable (Level 3) inputs consist of municipal auction rate securities that are no longer liquid. We estimate the fair values of these auction rate securities using a discounted cash flow model. During the first nine months of fiscal 2014 we redeemed \$12 million of these securities at par, leaving a remaining balance of \$21 million at April 30, 2014. We continued to classify them as long-term investments based on the maturities of the underlying securities at that date. We do not intend to sell our municipal auction rate securities and it is not more likely than not that we will be required to sell them before recovery at par, which may be at maturity.

There were no transfers between Level 1, Level 2, and Level 3 of the fair value hierarchy during the nine months ended April 30, 2014.

### 3. Cash and Cash Equivalents, Investments and Funds Held for 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 at April 30, 2014 consist of available-for-sale investment-grade debt securities that we carry at fair value and an available-for-sale corporate equity investment that we carry at fair value. Funds held for customers consist of cash and cash equivalents and investment grade available-for-sale debt securities in all periods presented. Long-term investments at April 30, 2014 consist primarily of municipal auction rate securities. See Note 2, “*Fair Value Measurements*,” for more information. Except for direct obligations of the United States government, securities issued by agencies of the United States government, and money market funds, we diversify our investments in debt securities by limiting our holdings with any individual issuer.

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

(In millions)	April 30, 2014		July 31, 2013	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
<b>Classification on balance sheets:</b>				
Cash and cash equivalents	\$ 1,574	\$ 1,574	\$ 1,009	\$ 1,009
Investments	1,036	1,059	653	652
Funds held for customers	273	273	235	235
Long-term investments	31	31	54	83

Total cash and cash equivalents, investments, and funds held for customers

\$ 2,914   \$ 2,937   \$ 1,951   \$ 1,979

## Table of Contents

The following table summarizes our cash and cash equivalents, investments, and funds held for customers by investment category at the dates indicated. See Note 2, “Fair Value Measurements,” for more information on our municipal auction rate securities.

(In millions)	April 30, 2014		July 31, 2013	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
<b>Type of issue:</b>				
Total cash and cash equivalents	\$ 1,672	\$ 1,672	\$ 1,069	\$ 1,069
Available-for-sale debt securities:				
Municipal bonds	663	664	489	489
Corporate notes	445	445	269	269
U.S. agency securities	98	98	69	69
Municipal auction rate securities	21	21	33	33
Total available-for-sale debt securities	1,227	1,228	860	860
Available-for-sale corporate equity securities	5	27	5	33
Other long-term investments	10	10	17	17
Total cash and cash equivalents, investments, and funds held for customers	\$ 2,914	\$ 2,937	\$ 1,951	\$ 1,979

We use the specific identification method to compute gains and losses on investments. We include realized gains and losses on our available-for-sale debt securities in interest and other income, net in our statements of operations. Gross realized gains and losses on our available-for-sale debt securities for the nine months ended April 30, 2014 and April 30, 2013 were not significant.

We accumulate unrealized gains and losses on our available-for-sale debt and equity securities, net of income taxes, 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 April 30, 2014 and July 31, 2013 were not significant. The cumulative gross unrealized gain on our available-for-sale corporate equity security was approximately \$22 million at April 30, 2014 .

We periodically review our investment portfolios to determine if any investment is other-than-temporarily impaired due to changes in credit risk or other potential valuation concerns. We believe that the investments we held at April 30, 2014 were not other-than-temporarily impaired. Unrealized losses on available-for-sale debt securities at April 30, 2014 were not significant and were due to changes in interest rates, including market credit spreads, and not due to increased credit risks associated with specific securities. We do not intend to sell these investments and it is not more likely than not that we will be required to sell them before recovery at par, which may be at maturity.

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

(In millions)	April 30, 2014		July 31, 2013	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due within one year	\$ 345	\$ 346	\$ 234	\$ 235
Due within two years	397	397	245	245
Due within three years	360	360	211	210
Due after three years	125	125	170	170
Total available-for-sale debt securities	\$ 1,227	\$ 1,228	\$ 860	\$ 860

Available-for-sale debt securities due after three years in the table above include our municipal auction rate securities. See Note 2, “Fair Value Measurements,” for more information. All of the remaining securities in that category had effective maturities of three years or less due to interest reset dates or mandatory call dates.

#### **4. Discontinued Operations**

##### *Intuit Financial Services*

On August 1, 2013 we completed the sale of our Intuit Financial Services (IFS) business for approximately \$1.025 billion in cash. We recorded a gain on the disposal of IFS of approximately \$36 million, net of income taxes, in the first quarter of fiscal 2014. The decision to sell the IFS business was a result of management's desire to focus resources on our offerings for small businesses, consumers, and accounting professionals. The IFS business comprised substantially all of our former Financial Services reporting segment.

We classified our IFS business as discontinued operations and have therefore segregated its operating results from continuing operations in our statements of operations for all periods presented. Revenue for IFS during the three and nine months ended April 30, 2013 was \$83 million and \$243 million. Income before income taxes for IFS during the three and nine months ended April 30, 2013 was \$16 million and \$42 million. We have also segregated the net assets of IFS from continuing operations on our balance sheet at July 31, 2013. Because operating cash flows from the IFS business were not material for any period presented, we have not segregated them from continuing operations on our statements of cash flows.

##### *Intuit Health*

In July 2013 management having the authority to do so formally approved a plan to sell our Intuit Health business and on August 19, 2013 we completed the sale for cash consideration that was not significant. We recorded a \$4 million pre-tax loss on the disposal of Intuit Health that was more than offset by a related income tax benefit of approximately \$14 million, resulting in a net gain on disposal of approximately \$10 million in the first quarter of fiscal 2014. The decision to sell the Intuit Health business was a result of management's desire to focus resources on its offerings for small businesses, consumers, and accounting professionals. Intuit Health was part of our former Other Businesses reporting segment.

We classified our Intuit Health business as discontinued operations and have therefore segregated its operating results in our statements of operations for all periods presented. We have not segregated the net assets of Intuit Health from continuing operations on our balance sheets at July 31, 2013 because net assets held for sale consisted primarily of operating assets and liabilities that were not material. Because operating cash flows from the Intuit Health business were also not material for any period presented, we have not segregated them from continuing operations on our statements of cash flows.

##### *Intuit Websites*

On September 17, 2012 we sold our Intuit Websites business, which was a component of our former Financial Management Solutions reporting segment, for approximately \$60 million in cash and recorded a gain on disposal of approximately \$32 million, net of income taxes.

#### **5. Current Liabilities**

##### *Unsecured Revolving Credit Facility*

On February 17, 2012 we entered into an agreement with certain institutional lenders for a \$500 million unsecured revolving credit facility that will expire on February 17, 2017. Advances under the credit facility will accrue interest at rates that are equal to, at our election, either JP Morgan's alternate base rate plus a margin that ranges from 0.0% to 0.5% or London Interbank Offered Rate (LIBOR) plus a margin that ranges from 0.9% to 1.5%. Actual margins under either election will be based on our senior debt credit ratings. The agreement includes customary affirmative and negative covenants, including financial 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 as of any date and a ratio of annual EBITDA to interest payable of not less than 3.00 to 1.00 as of the last day of each fiscal quarter. We remained in compliance with these covenants at all times during the quarter ended April 30, 2014. We may use amounts borrowed under this credit facility for general corporate purposes, including future acquisitions. To date we have not borrowed under this credit facility.

##### *Other Current Liabilities*

Other current liabilities were as follows at the dates indicated:

<i>(In millions)</i>	April 30, 2014	July 31, 2013
Reserve for product returns	\$ 55	\$ 20
Reserve for rebates	53	15
Current portion of license fee payable	—	10
Current portion of deferred rent	7	8
Interest payable	3	10
Executive deferred compensation plan liabilities	72	64
Other	36	27
Total other current liabilities	<u>\$ 226</u>	<u>\$ 154</u>

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, “*Description of Business and Summary of Significant Accounting Policies – Seasonality*,” for more information.

## 6. Long-Term Obligations

### *Long-Term Debt*

On March 12, 2007 we issued \$500 million of 5.75% senior unsecured notes due on March 15, 2017 (the Notes). We carried the Notes at face value less the unamortized discount in long-term debt on our balance sheets at April 30, 2014 and July 31, 2013. The Notes are redeemable by Intuit at any time, subject to a make-whole premium, and include covenants that limit our ability to grant liens on our facilities and to enter into sale and leaseback transactions, subject to significant allowances. We paid \$29 million in cash for interest on the Notes during the nine months ended April 30, 2014 and \$29 million in cash for interest on the Notes during the nine months ended April 30, 2013.

### *Other Long-Term Obligations*

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

<i>(In millions)</i>	April 30, 2014	July 31, 2013
Total deferred rent	\$ 55	\$ 55
Total license fee payable	40	48
Long-term income tax liabilities	41	38
Long-term deferred revenue	13	32
Long-term deferred income tax liabilities	39	6
Other	9	7
Total long-term obligations	<u>197</u>	<u>186</u>
Less current portion (included in other current liabilities)	<u>(7)</u>	<u>(19)</u>
Long-term obligations due after one year	<u>\$ 190</u>	<u>\$ 167</u>

### *Operating Lease Commitments*

We describe our operating lease commitments in Note 8 to the financial statements in Item 8 of our Annual Report on Form 10-K for the fiscal year ended July 31, 2013. During the first nine months of fiscal 2014 we signed agreements that extended the terms of Intuit's leases for certain facilities in the San Francisco Bay Area through 2025. The total additional obligation under those agreements is approximately \$190 million.

## 7. 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 adding the effects of any discrete income tax items specific to the period.

Our effective tax rates for the three and nine months ended April 30, 2014 were approximately 34% and those tax rates did not differ significantly from the federal statutory rate of 35% . The benefits we received from the domestic production activities deduction and the federal research and experimentation credit were substantially offset by state income taxes in both periods.

In January 2013 the American Taxpayer Relief Act of 2012 was signed into law. The Act included a reinstatement of the federal research and experimentation credit through December 31, 2013 that was retroactive to January 1, 2012. We recorded a discrete tax benefit for the retroactive effect during the nine months ended April 30, 2013 . As of April 30, 2014, the federal research and experimentation credit had not been reinstated.

Our effective tax rate for the three months ended April 30, 2013 was approximately 33% and did not differ significantly from the federal statutory rate of 35% . Our effective tax rate for the nine months ended April 30, 2013 was approximately 32% . Excluding discrete tax items that included the retroactive effect of the reinstatement of the research and experimentation credit as described above, our effective tax rate for that period was approximately 34% and did not differ significantly from the federal statutory rate of 35% . The benefits we received from the domestic production activities deduction and the federal research and experimentation credit were substantially offset by state income taxes in both periods.

### *Unrecognized Tax Benefits and Other Considerations*

The total amount of our unrecognized tax benefits at July 31, 2013 was \$39 million. Net of related deferred tax assets, unrecognized tax benefits were \$27 million at that date. If we were to recognize these net benefits, our income tax expense would reflect a favorable net impact of \$27 million. There were no material changes to these amounts during the nine months ended April 30, 2014 . We do not believe that it is reasonably possible that there will be a significant increase or decrease in our unrecognized tax benefits over the next 12 months.

## 8. Stockholders' Equity

### *Stock Repurchase Programs and Treasury Shares*

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 20.5 million shares for \$1.4 billion under these programs during the nine months ended April 30, 2014 and 4.8 million shares for \$292 million under these programs during the nine months ended April 30, 2013 . At April 30, 2014 , we had authorization from our Board of Directors to expend up to an additional \$2.0 billion for stock repurchases through August 19, 2017 . Future stock repurchases under the current program are at the discretion of management, and authorization of future stock repurchase programs is subject to the final determination of our Board of Directors.

Our treasury shares are repurchased at the market price on the trade date; accordingly, all amounts paid to reacquire these shares have been recorded as treasury stock on our balance sheets. 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.

In the past we have satisfied option exercises and restricted stock unit vesting under our employee equity incentive plans by reissuing treasury shares, and we may do so again in the future. During the second quarter of fiscal 2014 we began issuing new shares of common stock to satisfy option exercises and RSU vesting under our 2005 Equity Incentive Plan. We have not yet determined the ultimate disposition of the shares that we have repurchased in the past, and consequently we continue to hold them as treasury shares.

### *Dividends on Common Stock*

During the nine months ended April 30, 2014 we declared and paid quarterly cash dividends that totaled \$0.57 per share of outstanding common stock or \$165 million. In May 2014 our Board of Directors declared a quarterly cash dividend of \$0.19 per share of outstanding common stock payable on July 18, 2014 to stockholders of record at the close of business on July 10, 2014 . Future declarations of dividends and the establishment of future record dates and payment dates are subject to the final determination of our Board of Directors.

*Share-Based Compensation Expense*

The following table summarizes the total share-based compensation expense that we recorded in operating income from continuing operations for the periods shown.

	Three Months Ended		Nine Months Ended	
	April 30, 2014	April 30, 2013	April 30, 2014	April 30, 2013
<i>(In millions, except per share amounts)</i>				
Cost of revenue	\$ 2	\$ 1	\$ 6	\$ 4
Selling and marketing	13	15	44	47
Research and development	16	13	46	39
General and administrative	18	14	52	43
Total share-based compensation expense	49	43	148	133
Income tax benefit	(16)	(14)	(48)	(44)
Decrease in net income from continuing operations	\$ 33	\$ 29	\$ 100	\$ 89
Decrease in net income per share:				
Basic	\$ 0.12	\$ 0.10	\$ 0.35	\$ 0.30
Diluted	\$ 0.11	\$ 0.10	\$ 0.34	\$ 0.29

The table above excludes share-based compensation expense for our discontinued operations, which totaled approximately \$3 million and \$9 million for the three and nine months ended April 30, 2013. Because we have not reclassified our statements of cash flows to segregate discontinued operations, the \$9 million in share-based compensation for discontinued operations is included in share-based compensation expense on our statement of cash flows for the nine months ended April 30, 2013.

*Share-Based Awards Available for Grant*

A summary of share-based awards available for grant under our 2005 Equity Incentive Plan for the nine months ended April 30, 2014 was as follows:

	Shares Available for Grant
<i>(Shares in thousands)</i>	
Balance at July 31, 2013	12,120
Additional shares authorized	19,000
Options granted	(74)
Restricted stock units granted (1)	(2,077)
Share-based awards canceled/forfeited/expired (1)(2)	3,818
Balance at April 30, 2014	32,787

- (1) Under the terms of our Amended and Restated 2005 Equity Incentive Plan, as amended through July 24, 2012 (2005 Equity Incentive Plan), RSUs granted from the pool of shares available for grant on or after November 1, 2010 reduce the pool by 2.3 shares for each share granted. RSUs forfeited and returned to the pool of shares available for grant increase the pool by 2.3 shares for each share forfeited.
- (2) Stock options and restricted stock units canceled, expired or forfeited under our 2005 Equity Incentive Plan, are returned to the pool of shares available for grant. Stock options and restricted stock units canceled, expired or forfeited under older expired plans are not returned to the pool of shares available for grant.

*Stock Option Activity and Related Share-Based Compensation Expense*

A summary of stock option activity for the nine months ended April 30, 2014 was as follows:

	Options Outstanding	
	Number of Shares	Weighted Average Exercise Price Per Share
<i>(Shares in thousands)</i>		
Balance at July 31, 2013	14,206	\$ 43.77
Options assumed and converted in connection with acquisitions	17	13.61
Options granted	74	70.14
Options exercised	(3,818)	37.77
Options canceled or expired	(625)	54.52
Balance at April 30, 2014	9,854	\$ 45.46
Exercisable at April 30, 2014	6,014	\$ 37.34

At April 30, 2014, there was approximately \$35 million of unrecognized compensation cost related to non-vested stock options that we expect to recognize as expense in the future. We will adjust unrecognized compensation cost for future changes in estimated forfeitures. We expect to recognize that cost over a weighted average vesting period of 1.8 years.

*Restricted Stock Unit Activity and Related Share-Based Compensation Expense*

A summary of restricted stock unit activity for the nine months ended April 30, 2014 was as follows:

	Restricted Stock Units	
	Number of Shares	Weighted Average Grant Date Fair Value
<i>(Shares in thousands)</i>		
Nonvested at July 31, 2013	9,184	\$ 55.23
Granted	903	71.49
Restricted stock units assumed or granted in connection with acquisitions	656	69.48
Vested	(913)	49.65
Forfeited	(1,460)	61.80
Nonvested at April 30, 2014	8,370	\$ 57.56

At April 30, 2014, there was approximately \$264 million of unrecognized compensation cost related to non-vested RSUs that we expect to recognize as expense in the future. We will adjust unrecognized compensation cost for future changes in estimated forfeitures. We expect to recognize that cost over a weighted average vesting period of 2.1 years.

**9. Litigation**

On January 13, 2012, two putative class actions were filed against Intuit Inc. in connection with our TurboTax income tax preparation software: *Smith v. Intuit Inc.* (U.S. District Court, Northern District of California) and *Quildon v. Intuit Inc.* (California Superior Court, Santa Clara County). The plaintiffs in both cases had asserted that the fees charged for the refund processing service offered within TurboTax are “refund anticipation loans” and the disclosures about those fees do not comply with California and federal laws. The *Smith* case was brought in federal court on behalf of a proposed nationwide class and subclasses; the *Quildon* case was brought in state court on behalf of a proposed California class and subclasses. In January 2013, for the purposes of settlement and without any admission of wrongdoing or liability, Intuit reached an agreement in principle to resolve all claims raised in the *Smith* and *Quildon* matters for an amount that is not material to our consolidated financial statements. We accrued that amount in the second quarter of fiscal 2013. As of March 21, 2014, pursuant to the settlement agreement, both the *Smith* and *Quildon* matters had been resolved.

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, in addition to any amounts accrued, the amount of potential losses, if any, for any pending claims of any type (either alone or combined) will not

have a material impact on our consolidated financial statements. 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.

## 10. Segment Information

See Note 4, “*Discontinued Operations*,” for information about our Intuit Financial Services and Intuit Health businesses, which we classified as discontinued operations during fiscal 2013. Effective August 1, 2013, we reorganized our continuing businesses to align with our strategic focus on small businesses, consumers, and professional accountants. We also aligned our international businesses, all of which were in our former Other Businesses segment, into their respective lines of business and we are now managing those international businesses within their respective reportable segments. As a result of this reorganization, we have defined three reportable segments 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 (CODM) as our Chief Executive Officer and our Chief Financial Officer. Our CODM organizes and manages our business primarily on the basis of product and service offerings. The CODM reviews revenue by reportable segment and by product line within each reportable segment, but reviews operating income or loss only at the reportable segment level.

*Small Business.* Our Small Business segment includes three main product lines – Small Business Financial Solutions, Small Business Management Solutions, and Accountant and Advisor – targeting the small business market.

- Our Small Business Financial Solutions product line includes QuickBooks financial and business management software and services; QuickBooks technical support; and financial supplies. This product line also includes several payment processing services for small businesses, including merchant services such as credit and debit card processing; Web-based transaction processing services for online merchants; GoPayment mobile payment processing services; QuickBooks Point of Sale solutions; and secure online payments for small businesses and their customers through the Intuit Payment Network.
- Our Small Business Management Solutions product line includes small business payroll products and services, including desktop payroll offerings such as QuickBooks Basic Payroll and QuickBooks Enhanced Payroll; online payroll offerings such as QuickBooks Online Payroll and Intuit Online Payroll; and full service payroll offerings such as QuickBooks Assisted Payroll and Intuit Full Service Payroll. This product line also includes Demandforce, which provides online marketing and customer communication solutions, and QuickBase.
- Our Accountant and Advisor product line includes QuickBooks Accountant, QuickBooks Accountant Plus, and QuickBooks Online Accountant as well as the QuickBooks ProAdvisor Program and Cloud ProAdvisor Program, all of which are intended for the accounting professionals who serve small businesses.

*Consumer.* Our Consumer segment includes two product lines – Consumer Tax and Consumer Ecosystem – targeting consumers.

- Consumer Tax includes TurboTax income tax preparation products and services and electronic tax filing services.
- Consumer Ecosystem includes our personal finance offerings, Quicken and Mint.

*Professional Tax.* Our Professional Tax segment targets professional accountants and includes Lacerte, ProSeries, and Intuit Tax Online professional tax preparation products and services, electronic tax filing services, bank product transmission services, and training services.

All of our business segments operate primarily in the United States and sell primarily to customers in the United States. International total net revenue was approximately 5% of consolidated total net revenue for all periods presented.

We include expenses 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 unallocated corporate items. Unallocated corporate items also include amortization of acquired technology, amortization of other acquired intangible assets, and goodwill and intangible asset impairment charges.

The accounting policies of our reportable segments are the same as those described in the summary of significant accounting policies in Note 1 to the financial statements in Item 8 of our Annual Report on Form 10-K for the fiscal year ended July 31, 2013. 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.

The following table shows our financial results by reportable segment for the periods indicated. Results for all periods presented have been adjusted to exclude results for our Intuit Websites, Intuit Financial Services, and Intuit Health businesses, which we have classified as discontinued operations for all periods presented. See Note 4, “*Discontinued Operations*,” for more information. Segment results for fiscal 2013 have also been reclassified to conform to the fiscal 2014 segment presentation, as described earlier in this footnote.

	Three Months Ended		Nine Months Ended	
	April 30, 2014	April 30, 2013	April 30, 2014	April 30, 2013
<i>(In millions)</i>				
<b>Net revenue:</b>				

**Small Business segment:**

Small Business Financial Solutions	\$ 347	\$ 336	\$ 1,003	\$ 950
Small Business Management Solutions	204	177	595	516
Accountant and Advisor	18	17	51	51
<b>Total Small Business segment revenue</b>	<b>569</b>	<b>530</b>	<b>1,649</b>	<b>1,517</b>

**Consumer segment:**

Consumer Tax	1,437	1,261	1,617	1,515
Consumer Ecosystem	48	47	132	124
<b>Total Consumer segment revenue</b>	<b>1,485</b>	<b>1,308</b>	<b>1,749</b>	<b>1,639</b>

Professional Tax segment revenue	334	253	394	381
<b>Total net revenue</b>	<b>\$ 2,388</b>	<b>\$ 2,091</b>	<b>\$ 3,792</b>	<b>\$ 3,537</b>

**Operating income from continuing operations:**

Small Business segment	\$ 224	\$ 223	\$ 611	\$ 578
Consumer segment	1,199	1,033	1,172	1,054
Professional Tax segment	294	215	276	270
<b>Total segment operating income</b>	<b>1,717</b>	<b>1,471</b>	<b>2,059</b>	<b>1,902</b>

**Unallocated corporate items:**

Share-based compensation expense	(49)	(43)	(148)	(133)
Other common expenses	(163)	(134)	(508)	(441)
Amortization of acquired technology	(6)	(5)	(18)	(14)
Amortization of other acquired intangible assets	(5)	(7)	(14)	(21)
<b>Total unallocated corporate items</b>	<b>(223)</b>	<b>(189)</b>	<b>(688)</b>	<b>(609)</b>
<b>Total operating income from continuing operations</b>	<b>\$ 1,494</b>	<b>\$ 1,282</b>	<b>\$ 1,371</b>	<b>\$ 1,293</b>

**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 Part I, Item 1 of this Quarterly Report and our Annual Report on Form 10-K for the fiscal year ended July 31, 2013. We sold our Intuit Websites business in September 2012. In August 2013 we completed the sales of our Intuit Financial Services (IFS) business and our Intuit Health business. We have reclassified our statements of operations for all periods presented to reflect these three businesses as discontinued operations. We have also segregated the net assets of IFS from continuing operations on our balance sheet at July 31, 2013. The net assets of Intuit Websites and Intuit Health were not significant, so we have not segregated them from continuing operations on our balance sheet at July 31, 2013. Because the operating cash flows of our Intuit Websites, IFS, and Intuit Health discontinued operations were not material for any period presented, we have not segregated them from continuing operations on our statements of cash flows. See "Results of Operations – Discontinued Operations" later in this Item 2 for more information. Unless otherwise noted, the following discussion pertains only to our continuing operations.

**Executive Overview**

This overview provides a high-level discussion of our business and growth strategy as well as the trends, opportunities, challenges, and risks that

affect our performance and operating results. Understanding our growth strategy and the trends that affect our business provides context for the discussion of financial results and future opportunities which follows this overview. This summary is not intended to be exhaustive, nor is it 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 businesses, consumers, and accounting professionals. As discussed in Item 1, “*Business Overview – Our Business Portfolio*,” in our Form 10-K for the fiscal year ended July 31, 2013, effective August 1, 2013 we reorganized our businesses to align with our strategic focus on small businesses, consumers, and professional accountants. We also aligned our international businesses, all of which were in our former Other Businesses segment, into their respective lines of business and we are now managing those international businesses within their respective reportable segments. As a result of this reorganization, we now organize our businesses into three reportable segments – Small Business, Consumer, and Professional Tax.

**Small Business:** This segment includes three main product lines – Small Business Financial Solutions, Small Business Management Solutions, and Accountant and Advisor – targeting the small business market.

- Our Small Business Financial Solutions product line includes QuickBooks financial and business management online services and desktop software; QuickBooks technical support; and financial supplies. This product line also includes several payment processing services for small businesses, including merchant services such as credit and debit card processing; Web-based transaction processing services for online merchants; GoPayment mobile payment processing services; QuickBooks Point of Sale solutions; and secure online payments for small businesses and their customers through the Intuit Payment Network.
- Our Small Business Management Solutions product line includes small business payroll products and services and Demandforce, which provides online marketing and customer communication solutions.

- Our Accountant and Advisor product line includes QuickBooks Accountant, QuickBooks Accountant Plus, and QuickBooks Online Accountant as well as the QuickBooks ProAdvisor Program and Cloud ProAdvisor Program, all of which are intended for the accounting professionals who serve small businesses.

**Consumer:** This segment includes two product lines – Consumer Tax and Consumer Ecosystem – targeting consumers.

- Consumer Tax includes TurboTax income tax preparation products and services.
- Consumer Ecosystem includes our personal finance offerings, Quicken and Mint.

**Professional Tax:** This segment targets professional accountants and includes Lacerte, ProSeries, and Intuit Tax Online professional tax products and services.

### *Our Growth Strategy*

Based on our assessment of key technology and demographic trends – an increasingly borderless world, the prevalence of mobile devices, and the scalability of the cloud – we see significant opportunities to drive future growth by continuing to solve the unmet needs of small businesses, consumers, and accounting professionals. Our evolving growth strategy includes three key elements:

- *Focus on the product – we call it “Delivering awesome product experiences.”* Computing devices are moving to the palm of our hands in the form of tablets and smart phones. Therefore, we are increasingly focused on reimagining our products with a mobile-first, and in some cases mobile-only, design. Our TurboTax solutions, for example, let customers prepare and file their entire tax returns online, via tablet, mobile phone or desktop computer. We also believe that a key factor in growing our customer base is delivering an amazing first-use experience so our customers can get the value they expect from our offerings as quickly and easily as possible.
- *Creating network effect platforms – we call it “Enabling the contributions of others.”* We expect to solve problems faster and more efficiently for our growing base of customers by moving to more open platforms with application programming interfaces that enable the contributions of end users and third-party developers. One example of this is QuickBooks Online, which allows small business customers all over the world to localize, configure, and add value to the offering.
- *Leveraging our data for our customers' benefit – we call it “Using data to create delight.”* Our 45 million customers are generating valuable data that we seek to appropriately use to deliver better products and breakthrough benefits by eliminating the need to enter data, helping them make better decisions and improving transactions and interactions.

### *Industry Trends and Seasonality*

The industry in which we operate is dynamic and highly competitive, and we expect it to remain so in the future. The markets for software and related services, especially highly-available connected services, are characterized by rapid technological change, shifting customer needs, and frequent new product introductions and enhancements. Competitive interest and expertise in many of the markets we serve have grown markedly over the past few years and we expect this trend to continue. There are also large, cloud-based service companies who innovate quickly and serve small businesses and consumers. While today our competition with such companies may be limited, as we and those companies grow, our competition with them may increase. In recent years the widespread availability of the Internet, the emergence of mobile devices, and the explosion of social media have accelerated the pace of change and revolutionized the way that people throughout the world manage important financial tasks. The result is a global market that is shifting from traditional services that are paper-based, human-produced, and brick-and-mortar bound, to one where people understand, demand, and embrace the benefits of connected services. This trend toward connected services is the primary driver of the strategies in all of our businesses.

Our QuickBooks, Consumer Tax, and Professional Tax offerings are highly seasonal. Revenue from our QuickBooks software products tends to be highest during our second and third fiscal quarters. Sales of income tax preparation products and services are heavily concentrated from November through April. In our Consumer Tax business, a greater proportion of our revenue has shifted to later in this seasonal period due in part to the growth in sales of TurboTax Online, for which we recognize revenue when tax returns are printed or electronically filed. 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 between our fiscal quarters. 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. During these quarters, revenue from our tax businesses is minimal while

core operating expenses such as research and development continue at relatively consistent levels. We believe the seasonality of our revenue and profitability is likely to continue in the future. In our MD&A we often focus on year-to-date results for our seasonal businesses as they are generally more meaningful than quarterly results.

### *Key Challenges and Risks*

Our growth strategy depends upon our ability to initiate and embrace disruptive technology trends, to enter new markets, and to drive broad adoption of the products and services we develop and market. Our future growth also increasingly depends on the strength of our third-party business relationships and our ability to continue to develop, maintain and strengthen new and existing relationships. To remain competitive and continue to grow, we are investing significant resources in our product development, marketing, and sales capabilities, and we expect to continue to do so in the future.

As we continue transitioning to offer more connected services, the ongoing operation and availability of our information technology and communication systems and those of our external service providers is becoming increasingly important. Because we help customers manage their financial lives, we face risks associated with the hosting, collection, use and retention of personal customer information and data. We are investing significant management attention and resources in our information technology infrastructure and in our privacy and security capabilities, and we expect to continue to do so in the future.

For a complete discussion of the most significant risks and uncertainties affecting our business, please see “*Forward-Looking Statements and Risk Factors*” in Item 1A of this Quarterly Report.

### *Overview of Financial Results*

The most important financial indicators that we use to assess our business are revenue growth for the company as a whole, for each reporting segment, and for product lines within each reporting segment; operating income growth and operating income margins for the company as a whole and for each reporting segment; earnings per share; and cash flow from operations. We also track certain non-financial drivers of revenue growth and, when material, identify them in the applicable discussions of business segment results below. These non-financial drivers include, for example, customer growth and retention, and, in certain businesses, transaction volume. Customers for our connected services offerings have generally grown faster than those for our traditional software offerings, reflecting our strategic focus on connected services over the past few years. Connected services generated \$2.7 billion or 64% of our total revenue in fiscal 2013, compared with 50% of our total revenue five years ago. We expect connected services revenue as a percentage of our total revenue to continue to grow in the future. We track transaction volume in businesses such as our payment processing business, where total credit and debit card transaction volume, which correlates strongly with the macroeconomic environment, contributes to revenue growth.

Total net revenue for the first nine months of fiscal 2014 was \$3.8 billion, an increase of 7% compared with the same period of fiscal 2013. Our Small Business and Consumer segments were the key drivers of revenue growth in the first nine months of fiscal 2014. Revenue in our Small Business segment grew 9% compared with the same period a year ago due to growth in connected services offerings such as QuickBooks Online and QuickBooks Enterprise Solutions, payment processing services for QuickBooks merchants, online payroll services, and Demandforce. Revenue in our Consumer segment increased 7% in the first nine months of fiscal 2014 due to 10% growth in paid federal TurboTax units, partially offset by changes in product mix.

Operating income from continuing operations for the first nine months of fiscal 2014 increased 6% compared with the same period of fiscal 2013. Expenses for staffing, advertising and other marketing programs, and share-based compensation were higher in the first nine months of fiscal 2014. Net income from continuing operations increased 2% in the first nine months of fiscal 2014 compared with the same period of fiscal 2013 due to the increase in operating income partially offset by a higher effective tax rate in the fiscal 2014 period. Diluted net income per share from continuing operations for the first nine months of fiscal 2014 increased 7% to \$3.06 as a result of the increase in net income and the decline in weighted average diluted common shares compared with the same period of fiscal 2013.

We ended the first nine months of fiscal 2014 with cash, cash equivalents and investments totaling \$2.6 billion. During the first nine months of fiscal 2014 we generated \$1.0 billion in cash from the sale of our Intuit Financial Services business. We also generated cash from operations and the issuance of common stock under employee stock plans. During the same period we used \$1.4 billion in cash for the repurchase of shares of our common stock under our stock repurchase programs. We also used cash for net purchases of investments, the payment of cash dividends, and capital expenditures. At April 30, 2014, we had authorization from our Board of Directors to expend up to an additional \$2.0 billion for stock repurchases through August 19, 2017.

### **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, 2013 have the greatest potential impact on our financial statements, so we consider them to be our critical accounting policies and estimates. We believe that there were no significant changes in those critical accounting policies and estimates during the first nine months of fiscal 2014. Senior management has reviewed the development and selection of our critical accounting policies and estimates and their disclosure in this Quarterly Report on Form

## Results of Operations

### Financial Overview

<i>(Dollars in millions, except per share amounts)</i>	Q3 FY14	Q3 FY13	\$ Change	% Change	YTD Q3 FY14	YTD Q3 FY13	\$ Change	% Change
Total net revenue	\$ 2,388	\$ 2,091	\$ 297	14%	\$ 3,792	\$ 3,537	\$ 255	7%
Operating income from continuing operations	1,494	1,282	212	17%	1,371	1,293	78	6%
Net income from continuing operations	984	858	126	15%	890	869	21	2%
Diluted net income per share from continuing operations	\$ 3.39	\$ 2.83	\$ 0.56	20%	\$ 3.06	\$ 2.87	\$ 0.19	7%

NM = Not meaningful.

### Current Fiscal Quarter

Total net revenue increased \$297 million or 14% in the third quarter of fiscal 2014 compared with the same quarter of fiscal 2013. Revenue in our Small Business segment grew 8%. Within the Small Business segment, revenue from our Small Business Financial Solutions product line increased 4% due to continuing growth in QuickBooks hosted and desktop subscription offerings that was partially offset by lower QuickBooks desktop license revenue and flat revenue in our payments offerings. Revenue from our Small Business Management Solutions product line increased 16% due to online payroll customer growth, price increases for desktop payroll customers, and growth in Demandforce revenue. Revenue in our Consumer segment increased 13% in the third quarter of fiscal 2014. We deferred recognizing approximately \$84 million in Consumer Tax revenue from the second quarter of fiscal 2014 to the third quarter of fiscal 2014 as a result of processing delays and changes in our TurboTax product offerings for the 2013 tax year that affected the timing of revenue recognition. Revenue in our Professional Tax segment increased 32% in the third quarter of fiscal 2014 because during the second quarter of fiscal 2014 we deferred revenue that was related to certain undelivered software functionality in our Professional Tax offerings. We delivered this software functionality and recognized the related revenue in the third quarter of fiscal 2014. See “*Business Segment Results*” later in this Item 2 for more information about the results for all of our business segments.

Operating income from continuing operations increased 17% in the third quarter of fiscal 2014 compared with the same quarter of fiscal 2013 due to the increase in revenue described above partially offset by higher costs and operating expenses. Expenses for staffing were higher in the third quarter of fiscal 2014. See “*Operating Expenses*” later in this Item 2 for more information.

Net income from continuing operations increased 15% in the third quarter of fiscal 2014 compared with the same quarter of fiscal 2013 due to the increase in operating income partially offset by a higher effective tax rate in the fiscal 2014 quarter. Diluted net income per share from continuing operations for the third quarter of fiscal 2014 increased 20% to \$3.39 as a result of the increase in net income and the decline in weighted average diluted common shares compared with the same quarter of fiscal 2013.

*Fiscal Year to Date*

Total net revenue for the first nine months of fiscal 2014 increased \$255 million or 7% compared with the same period of fiscal 2013. Revenue in our Small Business segment grew 9%. Within the Small Business segment, revenue from our Small Business Financial Solutions product line increased 6% due to continuing growth in QuickBooks hosted and desktop subscription offerings that was partially offset by lower QuickBooks desktop license revenue and 3% revenue growth in our payments offerings. Revenue from our Small Business Management Solutions product line increased 16% due to online payroll customer growth, price increases for desktop payroll customers, and growth in Demandforce revenue. Revenue in our Consumer segment increased 7% in the first nine months of fiscal 2014 due to 10% growth in paid federal TurboTax units, partially offset by changes in product mix. Revenue in our Professional Tax segment increased 3% in the first nine months of fiscal 2014 due to new customer growth for our higher-priced offerings. See “*Business Segment Results*” later in this Item 2 for more information about the results for all of our business segments.

Operating income from continuing operations increased 6% in the first nine months of fiscal 2014 compared with the same period of fiscal 2013 due to the increase in revenue described above partially offset by higher costs and operating expenses. Expenses for staffing, advertising and other marketing programs, and share-based compensation were higher in the first nine months of fiscal 2014. See “*Operating Expenses*” later in this Item 2 for more information.

Net income from continuing operations increased 2% in the first nine months of fiscal 2014 compared with the same period of fiscal 2013 due to the increase in operating income partially offset by a higher effective tax rate in the fiscal 2014 period. See “*Income Taxes*” later in this Item 2 for more information. Diluted net income per share from continuing operations for the first nine months of fiscal 2014 increased 7% to \$3.06 as a result of the increase in net income and the decline in weighted average diluted common shares compared with the same period of fiscal 2013.

***Business Segment Results***

The information below is organized in accordance with our three reportable business segments. See “*Executive Overview – About Intuit*” earlier in this Item 2 and Note 10 to the financial statements in Part I, Item 1 of this Quarterly Report for more information. All of our business segments operate primarily in the United States and sell primarily to customers in the United States. International total net revenue was approximately 5% of consolidated total net revenue for all periods presented.

Segment operating income or loss is segment net revenue less segment cost of revenue and operating expenses. See “*Executive Overview – Industry Trends and Seasonality*” earlier in this Item 2 for a description of the seasonality of our business. 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 \$656 million in the first nine months of fiscal 2014 and \$574 million in the first nine months of fiscal 2013. Unallocated costs increased in the fiscal 2014 period due to increases in corporate product development and selling and marketing expenses in support of the growth of our businesses and to a lesser extent due to higher share-based compensation expenses. Segment expenses also do not include amortization of acquired technology, amortization of other acquired intangible assets, and goodwill and intangible asset impairment charges. See Note 10 to the financial statements in Part I, Item 1 of this Quarterly Report for reconciliations of total segment operating income or loss to consolidated operating income or loss for each fiscal period presented.

We calculate revenue growth rates and segment operating margin figures using dollars in thousands. Those results may vary from figures calculated using the dollars in millions presented below.

*Small Business*

<i>(Dollars in millions)</i>	Q3 FY14	Q3 FY13	% Change	YTD Q3 FY14	YTD Q3 FY13	% Change
Product revenue	\$ 218	\$ 223	(2)%	\$ 631	\$ 630	—%
Service and other revenue	351	307	14 %	1,018	887	15%
Total segment revenue	<u>\$ 569</u>	<u>\$ 530</u>	8 %	<u>\$ 1,649</u>	<u>\$ 1,517</u>	9%
% of total revenue	24%	25%		44%	43%	
Segment operating income	<u>\$ 224</u>	<u>\$ 223</u>	— %	<u>\$ 611</u>	<u>\$ 578</u>	6%
% of related revenue	39%	42%		37%	38%	

Our Small Business segment includes our Small Business Financial Solutions (SBFS), Small Business Management Solutions (SBMS), and Accountant and Advisor product lines. Service and other revenue in our Small Business segment is derived primarily from QuickBooks Online, our hosted financial and business management offering; QuickBooks Pro Plus and QuickBooks Premier Plus, our subscription offerings; QuickBooks technical support plans; payment processing services for small businesses; small business payroll services, including QuickBooks Online Payroll, QuickBooks Assisted Payroll, Intuit Online Payroll, and Intuit Full Service Payroll; Demandforce; and QuickBase. Product revenue in our Small Business segment is derived primarily from QuickBooks desktop software products, including QuickBooks Pro, QuickBooks Premier, QuickBooks Accountant, and QuickBooks Enterprise Solutions; financial supplies; QuickBooks Basic Payroll and QuickBooks Enhanced Payroll; QuickBooks Point of Sale solutions; and ProAdvisor Program subscriptions for the accounting professionals who serve small businesses.

As part of our connected services strategy, over the past several quarters we have been focusing Small Business resources on the enhancement and marketing of our QuickBooks Online and QuickBooks desktop subscription offerings. As a result, QuickBooks desktop license units and revenue have been declining as more customers choose our hosted and subscription offerings and we expect this trend to continue. In our payments business we have recently begun focusing resources on core offerings for QuickBooks merchants in support of our small business ecosystem approach. Over the next few quarters we anticipate declining revenue for certain non-QuickBooks payments offerings that may slow overall revenue growth in our payments business.

Small Business segment total net revenue increased \$39 million or 8% in the third quarter of fiscal 2014 and increased \$132 million or 9% in the first nine months of fiscal 2014 compared with the same periods of fiscal 2013. Within the Small Business segment, revenue from our SBFS product line increased 4% for the third quarter and 6% for the first nine months of fiscal 2014. Total QuickBooks software revenue grew 7% in the third quarter of fiscal 2014 and 10% in the first nine months of fiscal 2014. Customer acquisition in our online QuickBooks ecosystem continued to drive total QuickBooks software revenue growth in both periods. QuickBooks Online customers grew 36%, QuickBooks desktop subscribers grew 22%, and QuickBooks Enterprise Solutions customers grew 18%. Revenue from QuickBooks desktop software licenses declined 14% on 12% lower unit sales in the third quarter and declined 10% on 9% lower unit sales in the first nine months of fiscal 2014. Total revenue in our payments offerings was flat for the third quarter of fiscal 2014 and was 3% higher for the first nine months of fiscal 2014. Growth in QuickBooks merchant revenue was offset by declines in certain non-core payments offerings in the third quarter and first nine months of fiscal 2014. Total card transaction volume was 4% higher in the first nine months of fiscal 2014 compared with the same period of fiscal 2013.

Revenue from our SBMS product line increased 16% for the third quarter and first nine months of fiscal 2014 compared with the same periods of fiscal 2013 due to 23% online payroll customer growth and price increases for desktop payroll customers. SBMS revenue also increased due to higher Demandforce revenue in both fiscal 2014 periods, with 31% revenue growth for the first nine months of fiscal 2014 that was driven by growth in the subscriber base.

Small Business segment operating income as a percentage of related revenue decreased in the third quarter of fiscal 2014 and first nine months of fiscal 2014 compared with the same periods of fiscal 2013. The increase in segment revenue for the first nine months of fiscal 2014 was partially offset by \$58 million in higher staffing expenses due to an increase in headcount and \$34 million in higher advertising and other marketing program expenses.

*Consumer*

<i>(Dollars in millions)</i>	Q3 FY14	Q3 FY13	% Change	YTD Q3 FY14	YTD Q3 FY13	% Change
Product revenue	\$ 230	\$ 215	7%	\$ 282	\$ 316	(11)%
Service and other revenue	1,255	1,093	15%	1,467	1,323	11 %
Total segment revenue	<u>\$ 1,485</u>	<u>\$ 1,308</u>	13%	<u>\$ 1,749</u>	<u>\$ 1,639</u>	7 %
% of total revenue	62%	63%		46%	46%	
Segment operating income	<u>\$ 1,199</u>	<u>\$ 1,033</u>	16%	<u>\$ 1,172</u>	<u>\$ 1,054</u>	11 %
% of related revenue	81%	79%		67%	64%	

Our Consumer segment includes our Consumer Tax and Consumer Ecosystem product lines. Consumer Tax service and other revenue is derived primarily from TurboTax Online hosted tax return preparation services and electronic tax filing services. Consumer Tax product revenue is derived primarily from TurboTax desktop tax return preparation software. Consumer Ecosystem product revenue is derived primarily from Quicken desktop personal finance software products. Consumer Ecosystem service and other revenue is derived primarily from mobile and online consumer finance offerings as well as from online lead generation fees from our Mint personal finance offerings.

Consumer segment revenue increased \$177 million or 13% in the third quarter of fiscal 2014 compared with the same quarter of fiscal 2013. The Internal Revenue Service did not begin accepting 2013 federal income tax returns until January 31, 2014, the last day of our second fiscal quarter. We deferred recognizing approximately \$40 million in Consumer Tax revenue from the second quarter of fiscal 2014 to the third quarter of fiscal 2014 because we were unable to process all of the state income tax returns we received during the second quarter on the last day of that quarter. In addition, we deferred recognizing approximately \$44 million in Consumer Tax revenue from the second quarter of fiscal 2014 to the third quarter of fiscal 2014 as a result of changes in our TurboTax product offerings for the 2013 tax year that affected the timing of the recognition of the related revenue.

Consumer segment revenue increased \$110 million or 7% in the first nine months of fiscal 2014 compared with the same period of fiscal 2013 due to 10% growth in paid federal TurboTax units, partially offset by changes in product mix. Online federal units represented approximately 80% of total TurboTax federal units for the 2013 tax season, up from approximately 77% for the comparable portion of the 2012 tax season.

Consumer segment operating income as a percentage of related revenue increased in the first nine months of fiscal 2014 compared with the same period of fiscal 2013 due to the higher revenue described above and lower expenses for advertising and other marketing programs in the fiscal 2014 period.

*Professional Tax*

<i>(Dollars in millions)</i>	Q3 FY14	Q3 FY13	% Change	YTD Q3 FY14	YTD Q3 FY13	% Change
Product revenue	\$ 287	\$ 200	43 %	\$ 338	\$ 321	5 %
Service and other revenue	47	53	(11)%	56	60	(6)%
Total segment revenue	<u>\$ 334</u>	<u>\$ 253</u>	32 %	<u>\$ 394</u>	<u>\$ 381</u>	3 %
% of total revenue	14%	12%		10%	11%	
Segment operating income	<u>\$ 294</u>	<u>\$ 215</u>	36 %	<u>\$ 276</u>	<u>\$ 270</u>	3 %
% of related revenue	88%	85%		70%	71%	

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

Professional Tax total net revenue increased \$81 million or 32% in the third quarter of fiscal 2014 compared with the same quarter of fiscal 2013 because during the second quarter of fiscal 2014 we deferred revenue that was related to certain undelivered software functionality in our Professional Tax offerings. We delivered this software functionality and recognized the related revenue in the third quarter of fiscal 2014. Professional Tax total net revenue increased \$13 million or 3% in the first

nine months of fiscal 2014 compared with the same period of fiscal 2013 due to new customer growth for our higher-priced offerings.

Professional Tax segment operating income as a percentage of related revenue was essentially flat in the first nine months of fiscal 2014 compared with the same period of fiscal 2013 because costs and expenses grew in proportion to revenue.

**Cost of Revenue**

<i>(Dollars in millions)</i>	Q3 FY14	% of Related Revenue	Q3 FY13	% of Related Revenue	YTD Q3 FY14	% of Related Revenue	YTD Q3 FY13	% of Related Revenue
Cost of product revenue	\$ 34	5%	\$ 30	5%	\$ 108	9%	\$ 102	8%
Cost of service and other revenue	130	8%	110	8%	363	14%	334	15%
Amortization of acquired technology	6	n/a	5	n/a	18	n/a	14	n/a
Total cost of revenue	<u>\$ 170</u>	7%	<u>\$ 145</u>	7%	<u>\$ 489</u>	13%	<u>\$ 450</u>	13%

Cost of product revenue as a percentage of product revenue increased slightly in the first nine months of fiscal 2014 compared with the same period of fiscal 2013 due to product mix. Cost of service and other revenue as a percentage of service and other revenue decreased slightly in the first nine months of fiscal 2014 compared with the same period of fiscal 2013 due to growth in our TurboTax Online, QuickBooks Online, and online payroll offerings. Online revenues have relatively lower costs of revenue compared with our other service offerings.

**Operating Expenses**

<i>(Dollars in millions)</i>	Q3 FY14	% of Total Net Revenue	Q3 FY13	% of Total Net Revenue	YTD Q3 FY14	% of Total Net Revenue	YTD Q3 FY13	% of Total Net Revenue
Selling and marketing	\$ 412	17%	\$ 385	19%	\$ 1,022	27%	\$ 963	27%
Research and development	186	8%	166	8%	548	15%	503	14%
General and administrative	121	5%	106	5%	348	9%	307	9%
Amortization of other acquired intangible assets	5	—%	7	—%	14	—%	21	1%
Total operating expenses	<u>\$ 724</u>	30%	<u>\$ 664</u>	32%	<u>\$ 1,932</u>	51%	<u>\$ 1,794</u>	51%

**Current Fiscal Quarter**

Total operating expenses as a percentage of total net revenue decreased to 30% in the third quarter of fiscal 2014 compared with 32% in the same quarter of fiscal 2013 . Total net revenue for the third quarter of fiscal 2014 increased \$297 million or 14% and total operating expenses for that quarter increased \$60 million. Staffing expenses increased about \$56 million due to higher headcount.

**Fiscal Year to Date**

Total operating expenses as a percentage of total net revenue were flat in the first nine months of fiscal 2014 compared with the same period of fiscal 2013 . Total net revenue for the first nine months of fiscal 2014 increased \$255 million or 7% and total operating expenses for that period increased \$138 million. Operating expenses increased about \$104 million for staffing expenses associated with higher headcount, about \$15 million for advertising and other marketing programs, and about \$13 million for share-based compensation expenses. Share-based compensation expenses have been increasing over time because the market price of our common stock has generally been increasing and because our grants have been transitioning away from stock options and toward restricted stock units, which have a higher grant date fair value than stock options.

## Non-Operating Income and Expenses

### Interest Expense

Interest expense of \$24 million for the first nine months of fiscal 2014 and \$23 million for the first nine months of fiscal 2013 consisted primarily of interest on senior notes that we issued in March 2007. See Note 6 to the financial statements in Part I, Item 1 of this Quarterly Report for more information.

### Interest and Other Income, Net

(In millions)	Three Months Ended		Nine Months Ended	
	April 30, 2014	April 30, 2013	April 30, 2014	April 30, 2013
Interest income	\$ 2	\$ 1	\$ 4	\$ 2
Net gain on executive deferred compensation plan assets	2	2	5	6
Other	(1)	1	(1)	(1)
Total interest and other income, net	<u>\$ 3</u>	<u>\$ 4</u>	<u>\$ 8</u>	<u>\$ 7</u>

Interest and other income, net consists primarily of interest income and net gains on executive deferred compensation plan assets. Higher average invested balances and slightly higher average interest rates resulted in higher interest income in the third quarter and first nine months of fiscal 2014 compared with the same periods of fiscal 2013. In accordance with authoritative guidance, we record gains and losses associated with executive deferred compensation plan assets in interest and other income and gains and losses associated with the related liabilities in operating expenses. The total amounts recorded in operating expenses for each period are approximately equal to the total amounts recorded in interest and other income in those periods.

### Income Taxes

We compute our provision for or benefit from income taxes by applying the estimated annual effective tax rate to income or loss from recurring operations and adding the effects of any discrete income tax items specific to the period.

Our effective tax rates for the third quarter and first nine months of fiscal 2014 were approximately 34% and those tax rates did not differ significantly from the federal statutory rate of 35%.

Our effective tax rate for the third quarter of fiscal 2013 was approximately 33% and did not differ significantly from the federal statutory rate of 35%. Our effective tax rate for the first nine months of fiscal 2013 was approximately 32%. Excluding discrete tax items that included the retroactive effect of the reinstatement of the research and experimentation credit as described in Note 7 to the financial statements in Part I, Item 1 of this Quarterly Report, our effective tax rate for that period was approximately 34% and did not differ significantly from the federal statutory rate of 35%.

### Discontinued Operations

We sold our Intuit Websites business in September 2012 for approximately \$60 million in cash and recorded a gain on disposal of approximately \$32 million, net of income taxes, in the first quarter of fiscal 2013. We sold our Intuit Financial Services (IFS) business in August 2013 for approximately \$1.025 billion in cash and recorded a gain on disposal of approximately \$36 million, net of income taxes, in the first quarter of fiscal 2014. We also sold our Intuit Health business in August 2013 for cash consideration that was not significant and recorded a \$4 million pre-tax loss on disposal that was more than offset by a related income tax benefit of approximately \$14 million, resulting in a net gain on disposal of approximately \$10 million in the first quarter of fiscal 2014. We have reclassified our statements of operations for all periods presented to reflect these three businesses as discontinued operations. See Note 4 to the financial statements in Part I, Item 1 of this Quarterly Report for more information.

## Liquidity and Capital Resources

### Overview

At April 30, 2014, our cash, cash equivalents and investments totaled \$2.6 billion, an increase of \$972 million from July 31, 2013 due to the factors discussed under "Statements of Cash Flows" below. 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, acquisitions of businesses, debt



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service costs, repurchases of our common stock, and the payment of cash dividends. As discussed in “*Executive Overview – Industry Trends and Seasonality*” earlier in this Item 2, our business is subject to significant seasonality. The total balance of our cash, cash equivalents, and investments generally fluctuates with that seasonal pattern. We believe the seasonality of our business is likely to continue in the future.

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

<i>(Dollars in millions)</i>	April 30, 2014	July 31, 2013	\$ Change	% Change
Cash, cash equivalents, and investments	\$ 2,633	\$ 1,661	\$ 972	59 %
Long-term investments	31	83	(52)	(63)%
Long-term debt	499	499	—	— %
Working capital	1,755	1,116	639	57 %
Ratio of current assets to current liabilities	2.0 : 1	1.9 : 1		

We expect to generate significant cash from our operations during fiscal 2014 . Since our operations are primarily domestic, approximately 93% of our cash, cash equivalents and investments at April 30, 2014 were located in the U.S. and none of those funds were restricted. Our only significant debt consists of \$500 million in senior unsecured notes due in March 2017. We also have an unused \$500 million unsecured revolving line of credit facility available to us for general corporate purposes, including future acquisitions.

We evaluate, on an ongoing basis, the merits of acquiring technology or businesses, or establishing strategic relationships with and investing in other companies. Our strong liquidity profile enables us to respond nimbly to these kinds of opportunities.

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, debt service requirements, and other liquidity requirements associated with our operations for at least the next 12 months. We expect to return excess cash generated by operations to our stockholders through repurchases of our common stock and payment of cash dividends, after taking into account our operating and strategic cash needs.

### *Statements of Cash Flows*

The following table summarizes selected items from our statements of cash flows for the first nine months of each of fiscal 2014 and fiscal 2013 . See the financial statements in Part I, Item 1 of this Quarterly Report for complete statements of cash flows for those periods.

<i>(Dollars in millions)</i>	Nine Months Ended		
	April 30, 2014	April 30, 2013	\$ Change
Net cash provided by (used in):			
Operating activities	\$ 1,530	\$ 1,560	\$ (30)
Investing activities	419	(347)	766
Financing activities	(1,377)	(194)	(1,183)
Effect of exchange rate changes on cash	(7)	—	(7)
Total decrease in cash and cash equivalents	<u>\$ 565</u>	<u>\$ 1,019</u>	<u>\$ (454)</u>

During the first nine months of fiscal 2014 we generated \$1.0 billion in cash from the sale of our Intuit Financial Services business and used \$1.4 billion in cash to repurchase shares of our common stock under our stock repurchase programs. See “*Stock Repurchase Programs, Treasury Shares, and Dividends on Common Stock*” immediately below for more information. During the same period we also generated cash from operations and the issuance of common stock under employee stock plans and used cash for net purchases of investments, the payment of cash dividends, and capital expenditures. We expect to pay approximately \$250 million in income taxes during the fourth quarter of fiscal 2014.

During the first nine months of fiscal 2013 we generated cash from operations, from the issuance of common stock under employee stock plans, and from the sale of our Intuit Websites business. During the same period we used cash for the repurchase of shares of our common stock under our stock repurchase programs, net purchases of investments, the payment of cash dividends, and capital expenditures.

### *Stock Repurchase Programs, Treasury Shares, and Dividends on Common Stock*

As described in Note 8 to the financial statements in Part I, Item 1 of this Quarterly Report, during the first nine months of fiscal 2014 we continued to repurchase shares of our common stock under repurchase programs that our Board of Directors has authorized. At April 30, 2014, we had authorization from our Board of Directors to expend up to an additional \$2.0 billion for stock repurchases through August 19, 2017. We currently expect to continue repurchasing our common stock on a quarterly basis; however, future stock repurchases under the current program are at the discretion of management, and authorization of future stock repurchase programs is subject to the final determination of our Board of Directors.

In the past we have satisfied option exercises and restricted stock unit vesting under our employee equity incentive plans by reissuing treasury shares, and we may do so again in the future. During the second quarter of fiscal 2014 we began issuing new shares of common stock to satisfy option exercises and RSU vesting under our 2005 Equity Incentive Plan. We have not yet determined the ultimate disposition of the shares that we have repurchased in the past, and consequently we continue to hold them as treasury shares.

During the first nine months of fiscal 2014 we also continued to pay quarterly cash dividends on shares of our outstanding common stock. In May 2014 our Board of Directors declared a quarterly cash dividend of \$0.19 per share of outstanding common stock payable on July 18, 2014 to stockholders of record at the close of business on July 10, 2014. We currently expect to continue paying comparable cash dividends on a quarterly basis; however, future declarations of dividends and the establishment of future record dates and payment dates are subject to the final determination of our Board of Directors.

### *Unsecured Revolving Credit Facility*

On February 17, 2012 we entered into an agreement with certain institutional lenders for a \$500 million unsecured revolving credit facility that will expire on February 17, 2017. See Note 5 to the financial statements in Part I, Item 1 of this Quarterly Report for a description of the key terms of this agreement, including the covenants. We remained in compliance with those covenants at all times during the quarter ended April 30, 2014. We may use amounts borrowed under this credit facility for general corporate purposes, including future acquisitions. To date we have not borrowed under the credit facility. We monitor counterparty risk associated with the institutional lenders that are providing the credit facility. We currently believe that the credit facility will be available to us should we choose to borrow under it.

### *Cash Held by Foreign Subsidiaries*

Our cash, cash equivalents, and investments totaled \$2.6 billion at April 30, 2014. Of this amount, approximately 7% was held by our foreign subsidiaries and subject to repatriation tax considerations. These foreign funds were located primarily in Canada, and to a lesser extent in India, Singapore, the United Kingdom and Australia. We intend to permanently reinvest a significant portion of our earnings from foreign operations, and we currently do not anticipate that we will need funds generated from foreign operations to fund our domestic operations. In the event that funds from foreign operations are needed to fund operations in the United States, if U.S. taxes have not been previously provided on the related earnings we would provide for and pay additional U.S. taxes at the time we change our intention with regard to the reinvestment of those earnings.

### **Off-Balance Sheet Arrangements**

At April 30, 2014, 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 at July 31, 2013 in our Annual Report on Form 10-K for the fiscal year then ended. During the first nine months of fiscal 2014 we signed agreements that extended the terms of Intuit's leases for certain facilities in the San Francisco Bay Area through 2025. The total additional obligation under those agreements is approximately \$190 million. There were no other significant changes in our contractual obligations during the first nine months of fiscal 2014.

### **Recent Accounting Pronouncements**

For a description of recent accounting pronouncements, if any, and the potential impact of these pronouncements on our consolidated financial statements, see Note 1 to the financial statements in Part I, Item 1 of this Quarterly Report.

### **ITEM 3**

### **QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

#### **Investment Risk**

We actively monitor market conditions and developments specific to the securities in which we invest. We believe that we take a conservative

approach to investing our funds in that we invest only in highly-rated securities and diversify our portfolio of investments. While we believe we take prudent measures to mitigate investment related risks, such risks cannot be fully eliminated because of market circumstances that are outside our control.

Our investments consist of instruments that meet quality standards that are 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 funds, we diversify our investments by limiting our holdings with any individual issuer. We do not hold derivative financial instruments or European sovereign debt in our portfolio of investments. See Note 3 to the financial statements in Part I, Item 1 of this Quarterly Report for a summary of the cost and fair value of our investments by type of issue.

### **Interest Rate Risk**

Our cash equivalents and investments are subject to market risk due to changes in interest rates. Interest rate movements affect the interest income we earn on cash equivalents and investments and the fair value of those investments. If the Federal Reserve Target Rate had increased by 25 basis points from the level of April 30, 2014, the value of our investments at that date would have decreased by approximately \$4 million. If the Federal Reserve Target Rate had increased by 100 basis points from the level of April 30, 2014, the value of our investments at that date would have decreased by approximately \$15 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 JP Morgan's alternate base rate plus a margin that ranges from 0.0% to 0.5% or the London InterBank Offered Rate (LIBOR) plus a margin that ranges from 0.9% to 1.5%, in both cases 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 April 30, 2014, no amounts were outstanding under the credit facility.

On March 12, 2007 we issued \$500 million of 5.75% senior unsecured notes due on March 15, 2017. We carry these senior notes at face value less unamortized discount on our balance sheets. Since these senior notes bear interest at fixed rates, we have no financial statement risk associated with changes in interest rates. However, the fair value of these notes fluctuates when interest rates change. See Note 2 and Note 6 to the financial statements in Part I, Item 1 of this Quarterly Report for more information.

### **Impact of Foreign Currency Rate Changes**

The functional currencies of our international operating subsidiaries are the local currencies. We translate the assets and liabilities of our foreign subsidiaries at the exchange rates in effect on the balance sheet date. We translate their revenue, costs and expenses at the average rates of exchange in effect during the period. We include translation gains and losses in the stockholders' equity section of our balance sheets. We include net gains and losses resulting from foreign exchange transactions in interest and other income in our statements of operations.

Since we translate foreign currencies (primarily Canadian dollars, Indian rupees, Singapore dollars, British pounds and Australian dollars) 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 primarily because our global 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 April 30, 2014, we did not engage in foreign currency hedging activities.

## **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.

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

See Note 9 to the financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for a description of legal proceedings.

### **ITEM 1A**

## RISK FACTORS

### *Forward-Looking Statements and 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 “expect,” “anticipate,” “intend,” “plan,” “believe,” “forecast,” “estimate,” “seek,” and similar expressions also identify forward-looking statements. In this report, forward-looking statements include, without limitation, the following:

- our expectations and beliefs regarding future conduct and growth of the business;
- our beliefs and expectations regarding seasonality, competition and other trends that affect our businesses;
- our expectation that we will solve problems faster and more efficiently for our growing base of customers by moving to more open platforms with application programming interfaces that enable the contributions of end users and third-party developers;
- our expectation that we will continue to invest significant resources in our product development, marketing and sales capabilities in the future;
- our expectation that we will continue to invest significant management attention and resources in our information technology infrastructure and in our privacy and security capabilities;
- our expectation that connected services revenue as a percentage of our total revenue will continue to grow in the future;
- the assumptions underlying our Critical Accounting Policies and Estimates, including our estimates regarding product rebate and return reserves; the collectability of accounts receivable; stock volatility and other assumptions used to estimate the fair value of share-based compensation; the fair value of goodwill; and expected future amortization of acquired intangible assets;
- our belief that the investments we hold are not other-than-temporarily impaired;
- our belief that the reduction in liquidity of the municipal auction rate securities we hold will not have a material impact on our overall ability to meet our liquidity needs;
- our expectation that we will continue to repurchase our common stock on a quarterly basis;
- our expectation that we will continue to pay a comparable cash dividend on a quarterly basis;
- 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 it is not reasonably possible that there will be a significant increase or decrease in our unrecognized tax benefits over the next 12 months;
- our belief that we will not need funds generated from foreign operations to fund our domestic operations;
- our belief that our cash and cash equivalents, investments and cash generated from operations will be sufficient to meet our seasonal working capital needs, capital expenditure requirements, contractual obligations, commitments, debt service requirements and other liquidity requirements associated with our operations for at least the next 12 months;
- our expectation that we will return excess cash generated by operations to our stockholders through repurchases of our common stock and payment of cash dividends; and
- 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.

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 Securities and Exchange Commission 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 that may harm our operating results.*

We face intense competition in all of our businesses, and we expect competition to remain intense in the future. Our competitors and potential competitors range from large and established entities to emerging start-ups. Our competitors may introduce superior products and services, reduce prices, have greater technical, marketing and other resources, have greater name recognition, have larger installed bases of customers, have well-established relationships with our current and potential customers, advertise aggressively or beat us to market with new products and services. In addition, we may face competition from existing companies, with large established consumer user-bases and broad-based platforms,

who may change or expand the focus of their business strategies and marketing to target our customers, including small businesses and tax customers. We also face intensified competition from providers of free accounting, tax, payments, and other financial services. In order to compete, we have also introduced free offerings in several categories, but we may not be able to attract customers or effectively monetize all of these offerings, and customers who have formerly paid for Intuit's products and services may elect to use free offerings instead. These competitive factors may diminish our revenue and profitability and harm our ability to acquire and retain customers.

Our consumer tax business also faces significant competition from the public sector, where we face the risk of federal and state taxing authorities developing software or other systems to facilitate tax return preparation and electronic filing at no charge to taxpayers. These or similar programs may be introduced or expanded in the future, which may cause us to lose customers and revenue. Although the Free File Alliance has kept the federal government from being a direct competitor to Intuit's tax offerings, it has fostered additional online competition and may cause us to lose significant revenue opportunities. The current agreement with the Free File Alliance is scheduled to expire in October 2014. We anticipate that governmental encroachment at both the federal and state levels may present a continued competitive threat to our business for the foreseeable future.

***Future revenue growth depends upon our ability to adapt to technological change and successfully introduce new and enhanced products, services and business models.***

The software as a service (SaaS), desktop software and mobile technology industries are characterized by rapidly changing technology, evolving industry standards and frequent new product introductions. As we continue to grow our software as a service, mobile and other offerings, we must continue to innovate and develop new products and features to meet changing customer needs and attract and retain talented software developers. We need to continue to develop our skills, tools and capabilities to capitalize on existing and emerging technologies, which require us to devote significant resources.

A number of our businesses also derive a significant amount of their revenue from one-time upfront license fees and rely on customer upgrades and service offerings to generate a significant portion of their revenues. In addition, our consumer and professional tax businesses depend significantly on revenue from customers who return each year to use our updated tax preparation and filing software and services. As our existing products mature, encouraging customers to purchase product upgrades becomes more challenging unless new product releases provide features and functionality that have meaningful incremental value. If we are not able to develop and clearly demonstrate the value of new or upgraded products or services to our customers, our revenues may be harmed. In addition, as we continue to introduce and expand our new business models, including offerings that are subscription-based or that are free to end users, we may be unsuccessful in monetizing or increasing customer adoption of these offerings.

The number of people who access products and services through devices other than personal computers, including mobile phones, smartphones, and handheld computers such as tablets, has increased dramatically in the past few years. We have limited experience to date in developing products and services for users of these alternative devices, and the versions of our products and services developed for these devices may not be compelling to users. Even if we are able to attract new users through these mobile offerings, the amount of revenue that we derive per user from mobile offerings may be less than the revenue that we have historically derived from users of personal computers. As new devices and new platforms are continually being released, it is difficult to predict the problems we may encounter in developing versions of our products and services for use on these alternative devices and we may need to devote significant resources to the creation, support, and maintenance of such offerings. If we are slow to develop products and technologies that are compatible with these alternative devices, or if our competitors are able to achieve those results more quickly than us, we will fail to capture a significant share of an increasingly important portion of the market for online services, which could adversely affect our business.

In some cases, we may expend a significant amount of resources and management attention on offerings that do not ultimately succeed in their markets. We have encountered difficulty in launching new products and services in the past. If we misjudge customer needs in the future, our new products and services may not succeed and our revenues and earnings may be harmed. We have also invested, and in the future expect to invest, in new business models, geographies, strategies and initiatives. Such endeavors may involve significant risks and uncertainties, including distraction of management from current operations, expenses associated with the initiatives and inadequate return on investments. Because these new initiatives are inherently risky, they may not be successful and may harm our financial condition and operating results.

***Business interruption or failure of our information technology and communication systems may impair the availability of our products and services, which may damage our reputation and harm our future financial results.***

As we continue to transition our business to more connected services, we become more dependent on the continuing operation and availability of our information technology and communication systems and those of our external service providers, including, for example, third party Internet-based or "cloud" computing services. We do not have redundancy for all of our systems, many of our critical applications reside in only one of our data centers, and our disaster recovery planning may not account for all eventualities. We also do not maintain real-time back-up of all our data, and in the event of significant system disruption we may experience loss of data or processing capabilities, which may cause us to lose customers and may materially harm our reputation and our operating results. In addition, we are in the process of updating our customer facing applications and the supporting information technology infrastructure to meet our customers' expectations for continuous service availability. Any difficulties in upgrading these applications or infrastructure or failure of our systems or those of our third-party service providers may result in interruptions in our service, which may reduce our revenues and profits, cause us to lose customers and damage our reputation. Any prolonged interruptions at any time may result in lost customers, additional refunds of customer charges, negative publicity and increased operating costs, any of which may significantly harm our business, financial condition and results of operations.

We are in the process of migrating our applications and infrastructure to new data centers. If we do not execute the transition to the new data centers in an effective manner, we may experience unplanned service disruptions or unforeseen increases in costs which may harm our operating

results and our business.

Our business operations, data centers, information technology and communications systems are vulnerable to damage or interruption from natural disasters, human error, malicious attacks, fire, power loss, telecommunications failures, computer viruses, computer denial of service attacks, terrorist attacks and other events beyond our control. The majority of our research and development activities, our corporate headquarters, our principal information technology systems, and other critical business operations are located near major seismic faults. We do not carry earthquake insurance for direct quake-related losses. Our future financial results may be materially harmed in the event of a major earthquake or other natural or man-made disaster.

We rely on internal systems and external systems maintained by manufacturers, distributors and other service providers to take and fulfill customer orders, handle customer service requests and host certain online activities. Any interruption or failure of our internal or external systems may prevent us or our service providers from accepting and fulfilling customer orders or cause company and customer data to be unintentionally disclosed. Our continuing efforts to upgrade and expand our network security and other information systems as well as our high-availability capabilities may be costly, and problems with the design or implementation of system enhancements may harm our business and our results of operations.

***Our hosting, collection, use and retention of personal customer information and data require costly compliance efforts, and a breach of our security measures could disrupt our businesses, result in the disclosure of confidential information, damage our reputation, and cause losses.***

A number of our businesses collect, use and retain large amounts of personal customer information and data, including credit card numbers, tax return information, bank account numbers and passwords, personal and business financial data, social security numbers, healthcare information and payroll information. We may also develop new business models that use certain personal information, or data derived from personal information. In addition, we collect and maintain personal information of our employees in the ordinary course of our business. Some of this personal customer and employee information is held, and some transactions are executed, by third parties. In addition, as many of our products and services are Web-based and mobile-application-based, the amount of data we store for our users on our servers and the servers of our vendors that provide hosting services (including personal information) has been increasing and will continue to increase as we further transition our businesses to connected services. We and our vendors use commercially available security technologies to protect transactions and personal information. We use security and business controls to limit access and use of personal information and require our vendors to implement similar controls. However, we may not have the ability to effectively monitor the implementation of security measures of our vendors, and, in any event, individuals or third parties may be able to circumvent these security and business measures, and errors in the storage, use or transmission of personal information may result in a breach of customer or employee privacy or theft of assets, which may require notification under applicable data privacy regulations. We employ contractors, temporary and seasonal employees who may have access to the personal information of customers and employees or who may execute transactions in the normal course of their duties. While we conduct background checks of our employees and other individuals and limit access to systems and data, it is possible that one or more of these individuals may circumvent these controls, resulting in a security breach.

We are subject to laws, rules and regulations relating to the collection, use, and security of user data. New laws in this area have been passed by several jurisdictions, and other jurisdictions are considering imposing additional restrictions. These new laws may be interpreted and applied inconsistently from jurisdiction to jurisdiction and our current data protection policies and practices may not be consistent with those interpretations and applications. In addition, the ability to execute transactions and the possession and use of personal information and data in conducting our business subjects us to legislative and regulatory burdens that may require notification to customers or employees of a security breach, restrict our use of personal information and hinder our ability to acquire new customers or market to existing customers. As our business continues to expand to new industry segments that may be more highly regulated for privacy and data security, and to countries outside the United States that have more strict data protection laws, our compliance requirements and costs may increase. We have incurred – and may continue to incur – significant expenses to comply with mandatory privacy and security standards and protocols imposed by law, regulation, industry standards or contractual obligations.

A major breach of our security measures or those of third parties that provide hosting services for us, execute transactions or hold and manage personal information may have serious negative consequences for our businesses, including possible fines, penalties and damages, reduced customer demand for our services, harm to our reputation and brands, further regulation and oversight by federal or state agencies, and loss of our ability to provide financial transaction services or accept and process customer credit card orders or tax returns. From time to time, we detect, or receive notices from customers or public or private agencies that they have detected, vulnerabilities in our servers, our software or third-party software components that are distributed with our products. The existence of vulnerabilities, even if they do not result in a security breach, may harm customer confidence and require substantial resources to address, and we may not be able to discover or remediate such security vulnerabilities before they are exploited. In addition, our technologies, systems, and networks and our customers' devices have been subject to, and are likely to continue to be the target of, cyber attacks, computer viruses, worms, phishing attacks, malicious software programs and other information security breaches that could result in the unauthorized release, gathering, monitoring, misuse, loss or destruction of our customers' confidential, proprietary and other information, or otherwise disrupt our or our customers' or other third parties' business operations. Although this is an industry-wide problem that affects software across platforms, it is increasingly affecting our offerings because hackers tend to focus their efforts on well-known offerings that are popular among customers, and we expect them to continue to do so. If hackers are able to circumvent our security measures, or if we are unable to detect an intrusion into our systems and contain such intrusion in a reasonable amount of time, some of our customers' personal information may be compromised. Although we have commercially available network and application security, internal control measures, and physical security procedures to safeguard our systems, there can be no assurance that a security breach, intrusion, loss or theft of personal information will not occur, which may harm our business, customer reputation and future financial results and may require us to expend significant resources to address these problems, including notification under data privacy regulations.

***If we are unable to develop, manage and maintain critical third party business relationships, our business may be adversely affected.***

Our growth is dependent on the strength of our business relationships and our ability to continue to develop, maintain and leverage new and existing relationships. We rely on various third party partners, including software and service providers, suppliers, vendors, manufacturers, distributors, contractors, financial institutions, core processors, licensing partners and development partners, among others, in many areas of our business in order to deliver our offerings and operate our business. We also rely on third parties to support the operation of our business by maintaining our physical facilities, equipment, power systems and infrastructure. In certain instances, these third party relationships are sole source or limited source relationships and can be difficult to replace or substitute depending on the level of integration of the third party's products or services into, or with, our offerings and/or the general availability of such third party's products and services. In addition, there may be few or no alternative third party providers or vendors in the market. Further, there can be no assurance that we will be able to adequately retain third party contractors engaged to help us operate our business. The failure of third parties to provide acceptable and high quality products, services and technologies or to update their products, services and technologies may result in a disruption to our business operations and our customers, which may reduce our revenues and profits, cause us to lose customers and damage our reputation. Alternative arrangements and services may not be available to us on commercially reasonable terms or we may experience business interruptions upon a transition to an alternative partner.

In particular, we have relationships with banks, credit unions and other financial institutions that support certain critical services we offer to our other customers. If macroeconomic conditions or other factors cause any of these institutions to fail, consolidate, stop providing certain services or institute cost-cutting efforts, our business and financial results may suffer and we may be unable to offer those services to our customers.

We increasingly utilize the distribution platforms of third parties like Apple's App Store and Google Play for Android for the distribution of certain of our product offerings. Although we benefit from the strong brand recognition and large user base of these distribution platforms to attract new customers, the platform owners have wide discretion to change the pricing structure, terms of service and other policies with respect to us and other developers. Any adverse changes by these third parties could adversely affect our financial results.

***Increased government regulation of our businesses may harm our operating results.***

Many of our businesses are regulated under federal, state and local laws, including our tax, accounting professionals, payroll and payments businesses. There have been significant new regulations and heightened focus by the government on many of these areas, as well as in areas such as insurance and healthcare (including, for example, the Affordable Care Act) that affect certain of our products and services. In addition, as we expand our products and services and revise our business models, both domestically and internationally, we may become subject to additional government regulation or increased regulatory scrutiny. Further, regulators may adopt new laws or regulations or their interpretation of existing laws or regulations may differ from ours. These regulatory requirements could impose significant limitations, require changes to our business, or cause changes in customer purchasing behavior that may result in reduced revenue or increased costs which may affect our operating results. Any changes that we may incur as a result of any such regulations may not be sustained over time depending on a number of factors, including market and industry reactions to such regulations.

In order to meet regulatory standards, we may be required to increase investment in compliance and auditing functions or new technologies. In addition, government authorities may enact other laws, rules or regulations that place new burdens or restrictions on our business or determine that our operations are directly subject to existing rules or regulations, such as requirements related to data collection, privacy, use, transmission, retention, processing and security, which may make our business more costly, less efficient or impossible to conduct, and may require us to modify our current or future products or services, which may harm our future financial results.

The tax preparation industry continues to receive heightened attention from federal and state governments. New legislation, regulation, public policy considerations, litigation by the government or private entities, or new interpretations of existing laws may result in greater oversight of the tax preparation industry, restrict the types of products and services that we can offer or the prices we can charge, or otherwise cause us to change the way we operate our tax businesses or offer our tax products and services. We may not be able to respond quickly to such regulatory, legislative and other developments, and these changes may in turn increase our cost of doing business and limit our revenue opportunities. In addition, if our practices are not consistent with new interpretations of existing laws, we may become subject to lawsuits, penalties, and other liabilities that did not previously apply. We are also required to comply with a variety of state revenue agency standards in order to successfully operate our tax preparation and electronic filing services. Changes in state-imposed requirements by one or more of the states, including the required use of specific technologies or technology standards, may significantly increase the costs of providing those services to our customers and may prevent us from delivering a quality product to our customers in a timely manner.

***If we fail to process transactions effectively or fail to adequately protect against disputed or potential fraudulent activities, our revenue and earnings may be harmed.***

Our operations process a significant volume and dollar value of transactions on a daily basis, especially in our payroll and payments businesses. Due to the size and volume of transactions that we handle, effective processing systems and controls are essential to ensure that transactions are handled appropriately. Despite our efforts, it is possible that we may make errors or that funds may be misappropriated due to fraud. The systems supporting our business are comprised of multiple technology platforms that are difficult to scale. If we are unable to effectively manage our systems and processes we may be unable to process customer data in an accurate, reliable and timely manner, which may harm our business. In our payments processing service business, if merchants for whom we process payment transactions are unable to pay refunds due to their customers in connection with disputed or fraudulent merchant transactions, we may be required to pay those amounts and our payments may exceed the amount of the customer reserves we have established to make such payments.

The online tax preparation, payroll administration and online payments industries have been experiencing an increasing amount of fraudulent activities by third parties. Although we do not believe that any of this activity is uniquely targeted at our business, this type of fraudulent activity may adversely impact our own operations in our consumer tax, payroll, and payments businesses. In addition to any direct damages and potential fines that may result from such fraud, which may be substantial, a loss of confidence in our controls may seriously harm our business and damage our brand. As fraud detection and prevention abilities improve across the various industries in which we operate, we may implement risk control mechanisms that could make it more difficult for legitimate customers to obtain and use our products as well as prevent the sale of our products to those parties seeking to facilitate fraudulent activity, which could result in lost revenue and negatively impact our operating results.

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

As the number of products in the software industry increases and the functionality of these products further overlap, and as we acquire technology through acquisitions or licenses, we may become increasingly subject to infringement claims, including patent, copyright, and trademark infringement claims. Litigation may be necessary to determine the validity and scope of the patent rights of others. We have received an increasing number of allegations of patent infringement claims in the past and expect to receive more claims in the future based on allegations that our offerings infringe upon patents held by third parties. Some of these claims are the subject of pending litigation against us and against some of our customers. These claims may involve patent holding companies or other adverse patent owners who have no relevant product revenues of their own, and against whom our own patents may provide little or no deterrence. The ultimate outcome of any allegation is uncertain and, regardless of outcome, any such claim, with or without merit, may be time consuming to defend, result in costly litigation, divert management's time and attention from our business, require us to stop selling, delay shipping or redesign our products, or require us to pay monetary damages for royalty or licensing fees, or to satisfy indemnification obligations that we have with some of our customers. Our failure to obtain necessary license or other rights, or litigation arising out of intellectual property claims may harm our business.

***We rely on third party intellectual property in our products and services.***

Many of our products and services include intellectual property of third parties, which we license under agreements that must be renewed or renegotiated from time to time. We may not be able to obtain licenses to these third party technologies or content on reasonable terms, or at all. If we are unable to obtain the rights necessary to use this intellectual property in our products and services, we may not be able to sell the affected offerings, and customers who are currently using the affected product may be disrupted, which may in turn harm our future financial results, damage our brand, and result in customer loss. Also, we and our customers have been and may continue to be subject to infringement claims as a result of the third party intellectual property incorporated in to our offerings. Although we try to mitigate this risk and we may not be ultimately liable for any potential infringement, pending claims require us to use significant resources, require management attention and could result in loss of customers.

Some of our offerings include third-party software that is licensed under so-called "open source" licenses, some of which may include a requirement that, under certain circumstances, we make available, or grant licenses to, any modifications or derivative works we create based upon the open source software. Although we have established internal review and approval processes to mitigate these risks, we may not be sure that all open source software is submitted for approval prior to use in our products. Many of the risks associated with usage of open source may not be eliminated, and may, if not properly addressed, harm our business.

***Our intellectual property rights are valuable, and any inability to protect them could reduce the value of our products, services, and brand.***

Our patents, trademarks, trade secrets, copyrights and other intellectual property rights are important assets for us. We aggressively protect our intellectual property rights by relying on federal, state and common law rights in the U.S. and internationally, as well as a variety of administrative procedures. We also rely on contractual restrictions to protect our proprietary rights in products and services. The efforts that we take to protect our proprietary rights may not always be sufficient or effective. Protecting our intellectual property rights is costly and time consuming and may not be successful in every location. Any significant impairment of our intellectual property rights could harm our business, our brand and our ability to compete.

Policing unauthorized use and copying of our products is difficult, expensive, and time consuming. Current U.S. laws that prohibit copying give us only limited practical protection from software piracy and the laws of many other countries provide very little protection. We frequently encounter unauthorized copies of our software being sold through online marketplaces. Although we continue to evaluate and put in place technology solutions to attempt to lessen the impact of piracy and engage in efforts to educate consumers and public policy leaders on these issues and cooperate with industry groups in their efforts to combat piracy, we expect piracy to be a persistent problem that results in lost revenues and increased expenses.

***Because competition for our key employees is intense, we may not be able to attract, retain and develop the highly skilled employees we need to support our planned growth.***

Much of our future success depends on the continued service and availability of skilled personnel, including members of our executive team, and those in technical, marketing and staff positions. Experienced personnel in the software, mobile technologies, data security, and software as a service industries are in high demand and competition for their talents is intense, especially in California and India, where the majority of our employees are located. Also, as we strive to continue to adapt to technological change and introduce new and enhanced products and business models, we must be able to secure, maintain and develop the right quality and quantity of engaged and committed talent. Although we strive to be an employer of choice, we may not be able to continue to successfully attract, retain and develop key personnel which may cause our business to suffer.

***As our product and service offerings become more tightly integrated, we may be required to recognize the related revenue over relatively longer periods of time.***

Our expanding range of products and services, and the combinations in which we offer them, generate different revenue streams than our traditional desktop software businesses, and the accounting policies that apply to revenue from these offerings are complex. For example, as we offer more online services bundled with software products, we may be required to defer a higher percentage of our software product revenue into future fiscal periods. In addition, as we offer more services on a subscription basis, we recognize revenue from those services over the periods in which the services are provided. This may result in significant shifts of revenue from quarter to quarter, or from one fiscal year to the next.

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

All of our tax products and many of our non-tax products have rigid development timetables that increase the risk of errors in our products and the risk of launch delays. Our tax preparation software product development cycle is particularly challenging due to the need to incorporate unpredictable tax law and tax form changes each year and because our customers expect high levels of accuracy and a timely launch of these products to prepare and file their taxes by the tax filing deadline. Due to the complexity of our products and the condensed development cycles under which we operate, our products sometimes contain “bugs” that may unexpectedly interfere with the operation of the software. The complexity of our products may also make it difficult for us to consistently deliver offerings that contain the features, functionality and level of accuracy that our customers expect. When we encounter problems we may be required to modify our code, distribute patches to customers who have already purchased the product and recall or repackage existing product inventory in our distribution channels. If we encounter development challenges or discover errors in our products late in our development cycle it may cause us to delay our product launch date. Any major defects or launch delays may lead to loss of customers and revenue, negative publicity, customer and employee dissatisfaction, reduced retailer shelf space and promotions, and increased operating expenses, such as inventory replacement costs, legal fees or payments resulting from our commitment to reimburse penalties and interest paid by customers due solely to calculation errors in our consumer tax preparation products.

***Our businesses are highly seasonal and our quarterly results could fluctuate significantly.***

Several of our businesses are highly seasonal which historically has caused significant quarterly fluctuations in our financial results. Revenue and operating results are usually strongest during the second and third fiscal quarters ending January 31 and April 30 due to our tax businesses contributing most of their revenue during those quarters and the timing of the release of our small business software products and upgrades. We typically experience lower revenues, and operating losses, in the first and fourth quarters ending October 31 and July 31. Our financial results may also fluctuate from quarter to quarter and year to year due to a variety of factors, including changes in product sales mix that affect average selling prices; product release dates; the timing of delivery of federal and state tax forms; any delay in our ability to successfully submit electronically filed tax returns with government agencies; changes in consumer behavior; the timing of our discontinuation of support for older product offerings; changes to our bundling strategy, such as the inclusion of upgrades with certain offerings; changes to how we communicate the availability of new functionality in the future (any of which may impact the pattern of revenue recognition); and the timing of acquisitions, divestitures, and goodwill and acquired intangible asset impairment charges. Any fluctuations in our operating results may adversely affect our stock price.

***We are frequently a party to litigation and regulatory inquiries which could result in an unfavorable outcome and have an adverse effect on our business, financial condition, results of operation and cash flows.***

We are subject to various legal proceedings, claims and regulatory inquiries that have arisen out of the ordinary conduct of our business and are not yet resolved and additional claims and inquiries may arise in the future. The number and significance of these claims and inquiries have increased as our businesses have evolved. Any proceedings, claims or inquiries initiated by or against us, whether successful or not, may be time consuming; result in costly litigation, damage awards, consent decrees, injunctive relief or increased costs of business; require us to change our business practices or products; require significant amounts of management time; result in diversion of significant operations resources; or otherwise harm of business and future financial results. For further information about specific litigation, see Part II, Item 1, “*Legal Proceedings.*”

***Adverse global economic conditions could harm our business and financial condition.***

The onset or continuation of adverse macroeconomic developments could negatively affect our business and financial condition. Adverse global economic events have caused, and could, in the future, cause disruptions and volatility in global financial markets and increased rates of default and bankruptcy, and could impact consumer and small business spending. In particular, because the majority of our revenue is derived from sales within the U.S., economic conditions in the U.S. have an even greater impact on us than companies with a more diverse international presence. Challenging economic times could cause potential new customers not to purchase or to delay purchasing of our products and services, and could cause our existing customers to discontinue purchasing or delay upgrades of our existing products and services, thereby negatively impacting our revenues and future financial results. Decreased consumer spending levels could also reduce credit and debit card transaction processing volumes causing reductions in our payments revenue. Poor economic conditions and high unemployment have caused, and could in the future cause, a significant decrease in the number of tax returns filed, which may have a significant effect on the number of tax returns we prepare and file. In addition, weakness in the end-user consumer and small business markets could negatively affect the cash flow of our distributors and resellers who could, in turn, delay paying their obligations to us, which could increase our credit risk exposure and cause delays in our recognition of revenue or future sales to these customers. Any of these events could harm our business and our future financial results.

***We regularly invest resources to update and improve our internal information technology systems and software platforms. Should our***

***investments not succeed, or if delays or other issues with new or existing internal technology systems and software platforms disrupt our operations, our business could be harmed.***

We rely on our network and data center infrastructure and internal technology systems for many of our development, marketing, operational, support, sales, accounting and financial reporting activities. We are continually investing resources to update and improve these systems and environments in order to meet existing, as well as the growing and changing requirements of our business and customers. If we experience prolonged delays or unforeseen difficulties in updating and upgrading our systems and architecture, we may experience outages and may not be able to deliver certain offerings and develop new offerings and enhancements that we need to remain competitive. Such improvements and upgrades are often complex, costly and time consuming. In addition such improvements can be challenging to integrate with our existing technology systems, or may uncover problems with our existing technology systems. Unsuccessful implementation of hardware or software updates and improvements could result in outages, disruption in our business operations, loss of revenue or damage to our reputation.

***Our international operations are subject to increased risks which may harm our business, operating results, and financial condition.***

In addition to uncertainty about our ability to generate revenues from our foreign operations and expand into international markets, there are risks inherent in doing business internationally, including:

- trade barriers and changes in trade regulations;
- difficulties in developing, staffing, and simultaneously managing a large number of varying foreign operations as a result of distance, language, and cultural differences;
- stringent local labor laws and regulations;
- credit risk and higher levels of payment fraud;
- profit repatriation restrictions, and foreign currency exchange restrictions;
- political or social unrest, economic instability, repression, or human rights issues;
- geopolitical events, including natural disasters, acts of war and terrorism;
- import or export regulations;
- compliance with U.S. laws such as the Foreign Corrupt Practices Act, and local laws prohibiting corrupt payments to government officials;
- antitrust and competition regulations;
- potentially adverse tax developments;
- economic uncertainties relating to European sovereign and other debt;
- different, uncertain or more stringent user protection, data protection, privacy and other laws; and
- risks related to other government regulation or required compliance with local laws.

Violations of the complex foreign and U.S. laws and regulations that apply to our international operations may result in fines, criminal actions or sanctions against us, our officers or our employees, prohibitions on the conduct of our business and damage to our reputation. Although we have implemented policies and procedures designed to promote compliance with these laws, there can be no assurance that our employees, contractors or agents will not violate our policies. These risks inherent in our international operations and expansion increase our costs of doing business internationally and may result in harm to our business, operating results, and financial condition.

***If actual product returns exceed returns reserves, our future financial results may be harmed.***

We ship more desktop software products to our distributors and retailers than we expect them to sell, in order to reduce the risk that distributors or retailers may run out of products. This is particularly true for our Consumer Tax products, which have a short selling season and for which returns occur primarily in our fiscal third and fourth quarters. Like many software companies that sell their products through distributors and retailers, we have historically accepted significant product returns. We establish reserves against revenue for product returns in our financial statements based on estimated returns and we closely monitor product sales and inventory in the retail channel in an effort to maintain adequate reserves. In the past, returns have not differed significantly from these reserves. However, if we experience actual returns that significantly exceed reserves, it may result in lower net revenue.

***Unanticipated changes in our income tax rates may affect our future financial results.***

Our future effective income tax rates may be favorably or unfavorably affected by unanticipated changes in the valuation of our deferred tax assets and liabilities, or by changes in tax laws or their interpretation. In addition, we are subject to the continuous examination of our income tax returns by the Internal Revenue Service and other tax authorities. We regularly assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for income taxes. These continuous examinations may result in unforeseen tax-related liabilities, which may harm our future financial results.

***Amortization of acquired intangible assets and impairment charges may cause significant fluctuation in our net income.***

Our acquisitions have resulted in significant expenses, including amortization and impairment of acquired technology and other acquired intangible assets, and impairment of goodwill. Total costs and expenses in these categories were approximately \$99 million in fiscal 2013, \$33 million in fiscal 2012, and \$50 million in fiscal 2011. Although under current accounting rules goodwill is not amortized, we may incur impairment charges related to the goodwill already recorded and to goodwill arising out of future acquisitions. We test the impairment of goodwill annually in our fourth fiscal quarter or more frequently if indicators of impairment arise. The timing of the formal annual test may result in charges to our statement of operations in our fourth fiscal quarter that may not have been reasonably foreseen in prior periods. The total costs and expenses for fiscal 2013 and fiscal 2011 included goodwill and intangible asset impairment charges of \$46 million and \$30 million, respectively, that reduced the carrying value of our Intuit Health goodwill and intangible assets to zero. We recorded the goodwill and intangible assets for that reporting unit on our balance sheet in May 2010 in connection with our acquisition of Medfusion, Inc. At April 30, 2014, we had \$1.3 billion in goodwill and \$155 million in net acquired intangible assets on our balance sheet, both of which may be subject to impairment charges in the future. New acquisitions, and any impairment of the value of acquired intangible assets, may have a significant negative impact on our future financial results.

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

We have acquired and may continue to acquire companies, products and technologies that complement our strategic direction. Acquisitions involve significant risks and uncertainties, including:

- inability to successfully integrate the acquired technology and operations into our business and maintain uniform standards, controls, policies, and procedures;
- inability to realize synergies expected to result from an acquisition;
- disruption of our ongoing business and distraction of management;
- challenges retaining the key employees, customers, resellers and other business partners of the acquired operation;
- the internal control environment of an acquired entity may not be consistent with our standards and may require significant time and resources to improve;
- unidentified issues not discovered in our due diligence process, including product or service quality issues, intellectual property issues and legal contingencies;
- failure to successfully further develop an acquired business or technology and any resulting impairment of amounts currently capitalized as intangible assets;
- in the case of foreign acquisitions and investments, the impact of particular economic, tax, currency, political, legal and regulatory risks associated with specific countries.

We have divested and may in the future divest certain assets or businesses that no longer fit with our strategic direction or growth targets. Divestitures involve significant risks and uncertainties, including:

- inability to find potential buyers on favorable terms;
- failure to effectively transfer liabilities, contracts, facilities and employees to buyers;
- requirements that we retain or indemnify buyers against certain liabilities and obligations in connection with any such divestiture;
- the possibility that we will become subject to third-party claims arising out of such divestiture;
- challenges in identifying and separating the intellectual properties to be divested from the intellectual properties that we wish to retain;
- inability to reduce fixed costs previously associated with the divested assets or business;
- challenges in collecting the proceeds from any divestiture;
- disruption of our ongoing business and distraction of management;
- loss of key employees who leave the Company as a result of a divestiture ;
- if customers or partners of the divested business do not receive the same level of service from the new owners, our other businesses may be adversely affected, to the extent that these customers or partners also purchase other products offered by us or otherwise conduct business with our retained business.

Because acquisitions and divestitures are inherently risky, our transactions may not be successful and may, in some cases, harm our operating results or financial condition. Although we typically fund our acquisitions through cash available from operations, if we were to use debt to fund acquisitions or for other purposes, our interest expense and leverage would increase significantly, and if we were to issue equity securities as consideration in an acquisition, current shareholders' percentage ownership and earnings per share would be diluted.

***We have \$500 million in debt outstanding and may incur other debt in the future, which may adversely affect our financial condition and future financial results.***

In fiscal 2007 we issued \$500 million in senior unsecured notes due in March 2012 and \$500 million in senior unsecured notes due in March 2017. We repaid the March 2012 notes when they became due using cash from operations. As the March 2017 debt matures, we will have to expend significant resources to either repay or refinance these notes. If we decide to refinance the notes, we may be required to do so on different or less favorable terms or we may be unable to refinance the notes at all, both of which may adversely affect our financial condition.

We have also entered into a \$500 million five-year revolving credit facility. Although we have no current plans to request any advances under this credit facility, we may use the proceeds of any future borrowing for general corporate purposes, including future acquisitions.

This debt may adversely affect our financial condition and future financial results by, among other things:

- increasing our vulnerability to downturns in our business, to competitive pressures and to adverse economic and industry conditions;
- requiring the dedication of a portion of our expected cash from operations to service our indebtedness, thereby reducing the amount of expected cash flow available for other purposes, including capital expenditures and acquisitions; and
- limiting our flexibility in planning for, or reacting to, changes in our businesses and our industries.

Our current revolving credit facility imposes restrictions on us, including restrictions on our ability to create liens on our assets and the ability of our subsidiaries to incur indebtedness, and require us to maintain compliance with specified financial ratios. Our ability to comply with these ratios may be affected by events beyond our control. In addition, our short- and long-term debt includes covenants that may adversely affect our ability to incur certain liens or engage in certain types of sale and leaseback transactions. If we breach any of the covenants under our short- and long-term debt or our revolving credit facility and do not obtain a waiver from the lenders, then, subject to applicable cure periods, any outstanding indebtedness may be declared immediately due and payable.

In addition, changes by any rating agency to our credit rating may negatively impact the value and liquidity of both our debt and equity securities. If our credit ratings are downgraded or other negative action is taken, the interest rate payable by us under our revolving credit facility may increase. In addition, any downgrades in our credit ratings may affect our ability to obtain additional financing in the future and may affect the terms of any such financing.

***We are subject to risks associated with information disseminated through our services.***

The laws relating to the liability of online services companies for information such as online content disseminated through their services are subject to frequent challenges. In spite of settled law in the U.S., claims are made against online services companies by parties who disagree with the content. Where our online content is accessed on the internet outside of the U.S., challenges may be brought under foreign laws which do not provide the same protections for online services companies as in the U.S. These challenges in either U.S. or foreign jurisdictions may rise to legal claims alleging defamation, libel, invasion of privacy, negligence, copyright or trademark infringement, or other theories based on the nature and content of the materials disseminated through the services. Certain of our services include content generated by users of our online services. Although this content is not generated by us, claims of defamation or other injury may be made against us for that content. Any costs incurred as a result of this potential liability may harm our business.

***Our stock price may be volatile and your investment could lose value.***

Our stock price is subject to changes in recommendations or earnings estimates by financial analysts, changes in investors' or analysts' valuation measures for our stock, our credit ratings and market trends unrelated to our performance. Furthermore, speculation in the press or investment community about our strategic position, financial condition, results of operations, business or security of our products, can cause changes in our stock price. These factors, as well as general economic and political conditions and the timing of announcements in the public market regarding new products, product enhancements or technological advances by our competitors or us, and any announcements by us of acquisitions, major transactions, or management changes may adversely affect our stock price. Further, any changes in the amounts or frequency of share repurchases or dividends may also adversely affect our stock price. A significant drop in our stock price could expose us to the risk of securities class actions lawsuits, which may result in substantial costs and divert management's attention and resources, which may adversely affect our business.

***Our business depends on our strong reputation and the value of our brands.***

Developing and maintaining awareness of our brands is critical to achieving widespread acceptance of our existing and future products and services and is an important element in attracting new customers. Adverse publicity (whether or not justified) relating to events or activities attributed to us, our employees or agents may tarnish our reputation and reduce the value of our brands. Damage to our reputation and loss of brand equity may reduce demand for our products and services and thus have an adverse effect on our future financial results, as well as require additional resources to rebuild our reputation and restore the value of the brands.

**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 April 30, 2014 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
February 1, 2014 through February 28, 2014	297,300	\$ 70.85	297,300	\$ 2,024,844,170
March 1, 2014 through March 31, 2014	—	\$ —	—	\$ 2,024,844,170
April 1, 2014 through April 30, 2014	31,600	\$ 72.84	31,600	\$ 2,022,542,576
Total	328,900	\$ 71.04	328,900	

**Note:** All of the shares purchased as part of publicly announced plans during the three months ended April 30, 2014 were purchased under a plan we announced on August 18, 2011 under which we were authorized to repurchase up to \$2.0 billion of our common stock from time to time over a three-year period ending on August 15, 2014. On August 19, 2013 our Board of Directors approved a new stock repurchase program under which we are authorized to repurchase up to an additional \$2.0 billion of our common stock from time to time over a four-year period ending on August 19, 2017. At April 30, 2014, authorization from our Board to expend up to \$2.0 billion remained available under that plan.

## ITEM 6 EXHIBITS

See the Exhibit Index immediately following the signature page of this Quarterly Report on Form 10-Q.

## 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: May 21, 2014

By: /s/ R. NEIL WILLIAMS

R. Neil Williams

Senior Vice President and Chief Financial Officer (Authorized Officer and Principal Financial Officer)

## EXHIBIT INDEX

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference
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	
101.INS	XBRL Instance Document	X	
101.SCH	XBRL Taxonomy Extension Schema	X	
101.CAL	XBRL Taxonomy Extension Calculation Linkbase	X	
101.LAB	XBRL Taxonomy Extension Label Linkbase	X	

101.PRE	XBRL Taxonomy Extension Presentation Linkbase	X
101.DEF	XBRL Taxonomy Extension Definition Linkbase	X

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+ Indicates a management contract or compensatory plan or arrangement.

\* This exhibit is intended to be furnished and shall not be deemed “filed” for purposes of the Securities Exchange Act of 1934, as amended.

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO  
EXCHANGE ACT RULE 13a-14(a)/15d-14(a)**

I, Brad D. Smith, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Intuit Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 21, 2014

By: /s/ Brad D. Smith

Brad D. Smith

President and Chief Executive Officer

(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO  
EXCHANGE ACT RULE 13a-14(a)/15d-14(a)**

I, R. Neil Williams, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Intuit Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 21, 2014

By: /s/ R. NEIL WILLIAMS

R. Neil Williams

Senior Vice President and Chief Financial Officer

(Principal Financial Officer)

**Certification Pursuant to 18 U.S.C. Section 1350,  
As Adopted Pursuant to  
Section 906 of The Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of Intuit Inc. (the "Company") on Form 10-Q for the quarter ended April 30, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Brad D. Smith, President and Chief Executive Officer of the Company, certifies pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

/s/ BRAD D. SMITH

Brad D. Smith  
President and Chief Executive Officer

Date: May 21, 2014

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**Certification Pursuant to 18 U.S.C. Section 1350,  
As Adopted Pursuant to  
Section 906 of The Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of Intuit Inc. (the "Company") on Form 10-Q for the quarter ended April 30, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), R. Neil Williams, Senior Vice President and Chief Financial Officer of the Company, certifies pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

/s/ R. Neil Williams

R. Neil Williams  
Senior Vice President and Chief Financial Officer

Date: May 21, 2014

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.